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# **Wholesale Markets for Fresh Fruits and Vegetables in Hong Kong**

*Technical Report No. 4*



**Regional Agribusiness Project  
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# Wholesale Markets for Fresh Fruits and Vegetables in Hong Kong

by

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## **PREFACE**

This publication is an output of the Asia Regional Agribusiness Project (RAP), which is supported by the U.S. Agency for International Development (USAID). RAP, a \$5 million, four-year project, provides technical assistance to USAID Missions in Asia and their agribusiness clients. RAP's objectives are to promote market transparency, marketing efficiency, and environmentally sustainable trade and cooperative venture development that raises employment and income levels in South and Southeast Asia.

The four technical components of RAP are Market Information, Environmental and Food Safety, Trade and Investment Development, and Economic Analysis. The Market Information component has accepted the responsibility to develop a dynamic and effective Research and Development (R&D) Program responsive to the problems experienced by several of the large urban wholesale marketplaces for fresh fruits and vegetables in capital cities throughout South and Southeast Asia. One step in that R&D effort is the development of case studies on more successful urban wholesale marketplaces in progressive cities in Asia, including Hong Kong, Singapore, and Taipei. These cases provide insights and lessons learned about what has worked and not worked in these successful markets.

This case study gives an overview of the Hong Kong market, its fruit and vegetable consumption patterns, the emerging role of its supermarkets, characteristics of its wholesale marketplaces, and their market management practices and provision of services. Based on this material, the reader will be better able to appreciate the fundamental role and problems of urban wholesale markets through which most Asian retailers and consumers receive their supplies of fruits and vegetables early each morning.

Urban officials, planners, marketing specialists, agricultural officials, and others interested in knowing more about this R&D effort can obtain the list of materials and technical services available from RAP on this topic.

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## EXECUTIVE SUMMARY

This profile of the Hong Kong fruit and vegetable market was prepared to improve marketing of fresh produce in South and Southeast Asia. Hong Kong has enjoyed rapid economic growth over the past two decades, and has achieved living standards comparable to those in the West. Inhabitants enjoy one of the world's highest levels of per capita disposable income, and they like to spend on food. Trends in food consumption include increasing Westernization of diet; desire for variety and new products; concern for quality, health, and environment; and growing demand for convenience.

Trade and finance are coming to dominate the economy, as manufacturing moves to China. Agriculture makes a tiny contribution. Policy has favored high value crops, and Hong Kong now supplies about 20 percent of its own vegetable demand. Most vegetables and nearly all fruits are imported. China is the key source of produce used in traditional diets. The West (especially the United States and Australia) and Southeast Asia supply temperate and tropical produce, respectively.

Supermarkets are beginning to dominate food retailing, except for fresh foods. Traditional markets (mostly housed in modern facilities) may still account for 85 percent of fresh produce sales, though this share will decline rapidly over the next decade. As supermarkets capture more fresh produce sales, more of the produce will move through wholesale centers belonging to the large chains. Currently, most imported produce moves through the three main wholesale markets.

The Vegetable Marketing Organization (VMO) was originally founded by the government to market local vegetables. Over the past decade, many Hong Kong growers have expanded to Shenzhen (China). Now most vegetables moving through VMO come from Shenzhen. Cheung Sha Wan (CSW) Wholesale Market in Kowloon was built and is managed by the government, but houses private traders. It handles imported vegetables, including those from China. The main wholesale fruit market (Yaumatai) is scheduled to move to CSW when the second phase of construction is completed in 1997. Western Wholesale Market on Hong Kong Island is also government-built and -managed, and also houses private traders. The second phase of construction was just completed, and vegetables moved to Western in early 1994. Vegetables have been there for two years.

CSW and Western were built and are managed by the Hong Kong government. During the planning process, local traders were consulted about their needs, foreign markets were examined, and the views of foreign consultants were solicited. However, the markets are the result of local thinking. Foreign wholesale markets were not copied, and the consultants' views were not followed extensively. Whatever seemed useful was incorporated; what did not seem useful was discarded.

Financing was by the government, which usually runs a surplus and can easily fund such projects. There was no actual cash outlay for land because it already belonged to the government. Construction was subcontracted, and for the most part, was completed well within budget. Rents are fixed to recover construction and operation costs over the life of the market. However, land costs and interest charges are not calculated into what must be recovered. Rents cannot rise more than the CPI. Traders interviewed by the research team think rents are fair, especially compared with private rentals.

Traders had two years notice about the impending move. Every trader operating in the old market was allocated space in the new one, although not all traders could get the specific stall they wanted. Among traders we interviewed, no one reported any problem in the move. The government operates the markets with minimum regulation. The rules address mainly administration, security, sanitation, and

traffic flow issues, and do not regulate business practices. Most operating services are subcontracted, also. Usually, trade organizations have responsibility for overseeing the contracts.

Throughput of vegetables at CSW was about 144,000 metric tons (MT) in 1992. Imported vegetables account for the majority of volume. Trade in Chinese vegetables is declining, as Shenzhen (which mainly supplies VMO) displaces other areas as a source in China. Throughput of fruit at Western was 134,622 MT in 1993. Half of this was oranges and apples, mainly from the United States. The government estimates that 400 MT/day will move through the vegetable market at Western in 1994.

New facilities and new trading patterns have caused many traders to start moving up-market. Some now focus more on quality, on providing added-value services, and on developing long-term contracts with larger buyers. This strategy shift is consistent with what is needed to keep up with changing consumer trends.

Each of the two markets contains stalls of several different sizes. First (primary) wholesalers, who are the largest operators, get the largest stalls. These are located along the water or road frontage. Smaller wholesalers are positioned inside the market in blocks of stalls. Each stall is allocated parking space in the lots surrounding the market. Traffic is efficiently organized, and truck drivers we interviewed said that there is rarely any problem with congestion so that it rarely takes more than about 15 minutes to get the allocated space. At peak hours (4:00 AM to 8:00 AM) it can take nearly an hour to move product from the wholesaler inside the market out to the truck. Traders attribute this to the practice of stacking product in the common area within the market. The regulated free isle is not wide enough for easy movement.

The markets are quite new, so traders we interviewed and our own observation did not indicate any important deficiencies in physical facilities. Small unforeseen details have already mostly been corrected. Traders were quite happy with the physical facilities in both markets.

Management at Western seems more lax than at CSW. Traders complained that maintenance, sanitation, and security are not as good as at CSW. Traffic management inside both markets might be improved by either widening the flow isles, or by designating one-way routes. Public transportation to the markets is not yet completely developed, and this brought some complaint. However, smaller customers tend to use public transportation, and small-scale trade is shifting away from the markets, especially CSW.

Performance of the two markets has been very good compared with the markets they replaced, and compared with most other similar markets. Western is not quite as well run as CSW, but traders are happy with it overall, and think it is much better than the old markets.

## INTRODUCTION

This profile of the Hong Kong market for fruits and vegetables and of the functioning of the two main market facilities in Hong Kong is part of the effort by the Regional Agribusiness Project (RAP) to improve marketing of fresh produce in South and Southeast Asia. There are two main objectives to presenting the situation in Hong Kong. First, by understanding markets in Hong Kong, South and Southeast Asian fresh produce growers will be better able to export their crops. Second, the Hong Kong situation provides a good case study of how government has helped organize the private sector to become more efficient in produce marketing. Such examples are relevant in many of the countries of South and Southeast Asia.

Hong Kong consumers enjoy high living standards. They consider ample supplies and a wide variety of popular fresh fruits and vegetables to be an important component of their living standard. Hong Kong provides a good example of how limited government intervention can influence a mainly free market system to deliver very good food supplies to the local population. Hong Kong is a free port, so almost any fresh produce is allowed in, subject to regulations mainly for health and hygiene reasons. The government has relied on the private sector to develop produce marketing, but has led the sector in its provision of modern physical facilities, which it rents on a cost-recovery basis.

The research for this report is based on Hong Kong government statistics, other secondary data where available, and in-depth interviews. Several government officials who oversee individual markets were interviewed, including the market managers and other administrators at Cheung Sha Wan (CSW) and Western markets and the manager of the Vegetable Marketing Organization (VMO). Several officials in the Agriculture and Fisheries Department who oversee wholesale marketing in Hong Kong were also interviewed. We conducted in-depth interviews with 15 wholesale traders (10 in CSW and 5 in Western).

The traders had all been in business for at least 3 to 4 years, most of them for at least 15 years (mean = 22.4 years). They are somewhat larger-volume operators than the average operator in the markets, and report a mean volume of 39 metric tons (MT) per week. (For example, the mean for CSW, based on throughput divided by number of stalls, is about 12 MT/week. The true mean is slightly larger, because some traders occupy two stalls.) Their larger volume is consistent with the fact that all of them reported selling mainly to the middle and higher ends of the market, and all traded primarily in Western vegetables and fruits. The smallest operators are more likely to deal with Chinese produce and have small, price-oriented low-end customers.

Nearly all of the traders we interviewed also handle produce from Southeast Asia, but only 10 to 20 percent of sales on average. A few trade in Chinese produce, again only 10 to 20 percent. Nine of the traders said that the majority of their customers were retailers, but not the big chains. Six of the traders sell almost all of their product to smaller wholesalers.

This report looks first at the general economic environment in Hong Kong, and then at specifics of the consumer market and food consumption. Trade in fruit and vegetables to serve the market is summarized, and then details of operation of the two key fruit and vegetable markets are presented. Western market, which serves Hong Kong island, contains both fruit and vegetables, but the vegetable part of the market opened only this year. CSW, which serves Kowloon and New Territories, contains only vegetables. Fruit traders in Yaumatai are scheduled to relocate to CSW in 1997.



## THE SETTING IN HONG KONG

Hong Kong, though officially called a "territory," is a British Crown Colony located on the coast of southern China. It has boasted one of the world's most rapidly growing economies over the past decade. During most of the 1980s, economic growth rates ranged between 6 and 10 percent annually (in constant 1980 prices), reaching 14.5 percent in 1987. Although the economy slowed down substantially after 1989, Hong Kong still posted impressive growth by world standards during the global recession in the early 1990s. The territory benefited from the global recovery, with growth returning to 5.5 percent in 1993 (Appendix A, Table 1).

Hong Kong is likely to continue its rapid economic progress for at least several more years. However, the future after 1997, when China resumes sovereignty, seems uncertain to many people. Some are optimistic, but many are worried that tight control by Beijing and large-scale, Chinese-style corruption may damage Hong Kong's prosperity. If this does happen, however, it is likely to be a slow process. Hong Kong will undoubtedly remain an affluent market for foreign products throughout the 1990s and into the next century, provided that China does not suddenly restrict imports.

Another possible problem is that Hong Kong is increasingly being integrated into the southern China economy. Beijing has not yet worked out how to maintain smooth, sustainable growth. Strong boom-bust cycles have been characteristic of the period since reform began in 1979, and many observers expect this to continue as China continues to develop. In the past, this did not severely affect Hong Kong, but future economic performance may fluctuate more erratically. This will not affect prospects for export to Hong Kong in the long-term, but during a Chinese economic downturn the Hong Kong market could be difficult.

## GEOGRAPHY

Hong Kong (Figure 1)<sup>1</sup> consists of Hong Kong island (about 7.5 percent of land area), Kowloon (about 4 percent of land area), many outlying islands (about 15 percent), and the New Territories. Lantau island, to the west of Hong Kong island and Kowloon, is much larger than Hong Kong island itself. It is the site of the new airport under construction, though most of the site will be developed through land reclamation along the north coast. All other islands are much smaller than Hong Kong island. Lamma, just to the southwest of Hong Kong island, is the only one of any importance locally.

The land area consists of about 1,078 square kilometers, which is slightly more than a decade old and is due to land reclamation. Although most people think of Hong Kong as a densely populated urban area, the Territory contains much more than only the urban areas, and most of the topography is rugged. Except for alluvial deposits in some areas, soils are thin and low in nutrients. Most agricultural soils have been built up over long periods through constant application of organic (and in recent decades, chemical) fertilizers.

About 20 percent of the Territory's 1,078-square-kilometer land area is built-up land (Appendix A, Table 2). Urban areas include the north coast of Hong Kong island, scattered areas of the south coast,

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<sup>1</sup>All figures are in Appendix B.

Kowloon, and several New Towns in the New Territories. Shatin, about one-third of the way between the tip of Kowloon and the border with China, is the largest of the New Town urban areas.

Most of the undeveloped areas are not usable for anything; approximately 7.5 percent of total land area is classified as suitable for agriculture. Although most of this was actually used in the past, agriculture has declined substantially in the past decade because opportunities are usually better in other economic sectors. Currently, almost half of agricultural land is fallow or unused.

Hong Kong's climate is sub-tropical, with a hot humid tropical monsoon season and a temperate, cooler season. Winter monsoons blow from the northeast, bringing relatively cool and dry weather from September to April. Mean daily temperature is usually lowest in January and February, at about 15.7 degrees C. From April to September southwest monsoons prevail, bringing very hot and humid weather. The hottest months are usually July and August, which average nearly 29 degrees C. May to September is typhoon season, and in an average year, five to seven tropical cyclones can be expected. Every few years, one of these hits the territory with hurricane force. Of about 2,215 millimeters of annual rainfall, two-thirds is concentrated in June to September.

### STRUCTURE OF THE ECONOMY

The economy of Hong Kong has been based traditionally on trade and low-cost manufacturing. In the 1980s, Hong Kong developed into an important financial and service center for East Asia. Manufacturing remains important, but in recent years has slowly declined in importance relative to other sectors. In 1992, manufacturing accounted for 13.2 percent of GDP (Table 1, and Appendix A, Table 3), down from about 22 percent just five years earlier. However, these figures mask the fact that Hong Kong companies are heavily involved in manufacturing in China.

Hong Kong is no longer very competitive in the labor-intensive industries that it used to fuel the rapid growth of the 1970s and 1980s. The Territory has been slower than other East Asian competitors to move toward more technological or capital intensive industries, as well as skill intensive industries. Much manufacturing by Hong Kong companies remains relatively low-tech and labor intensive, and much of it has moved across the border into China to keep labor costs, and prices, low.

The government's philosophy of minimal involvement in the economy has made Hong Kong a favorite regional center for financial and other business services. By 1992, finance, insurance, real estate, and other business services accounted for nearly 24 percent of GDP, up from 16.3 percent in 1985. Most major banks with any international presence are represented in Hong Kong, the Hong Kong stock exchange has become one

Table 1

#### Contribution of Key Economic Sectors to GDP

	<u>1990</u>	<u>1992</u>
Agriculture, Fishing	0.3 %	0.2 %
Manufacturing	17.2	13.2
Wholesale, Retail, Trade, Hotel, Restaurant	24.3	26.6
Finance, Insurance, Real Estate, Service	20.8	23.9
Community, Social, and Personal Services	15.0	15.8

Source: Appendix A, Table 3

of the largest outside the United States, the United Kingdom, and Japan, and a large number of multinationals have made the Territory the headquarters for regional operations.

Hong Kong is also one of the primary trade centers of East Asia. Traditionally, it served regional trade, but once China began to open after 1979, Hong Kong became increasingly important as the trade door linking China with the rest of the world. In the long-term, this China trade role probably cannot be maintained because China will develop several northern ports such as Shanghai and Tianjin. However, for the next decade at least, Hong Kong is likely to continue to dominate China's trade, because Hong Kong is closely linked with Guangdong, the fastest growing part of China.

Agriculture and fishing are unimportant in the economy overall, accounting for only one-fifth of 1 percent of GDP. Even this small contribution is down from about one-half of 1 percent in 1985. Fishing has gradually gained on cropping as the most important component of agriculture. Raising livestock is rapidly disappearing. Crops have changed from traditional (especially rice and Chinese vegetables) to higher value added crops. This somewhat masks the fact that cropped land is rapidly declining, even though the value of crops grown has remained stable in recent years.

## TRANSPORTATION AND COMMUNICATION NETWORKS

Transportation and communication infrastructures are both excellent in Hong Kong. In 1992, there were 378,000 licensed private motor vehicles, 32 percent of which were goods vehicles. Ten years earlier (1982) there were almost exactly half as many goods vehicles. Hong Kong has an extensive road network throughout the territory. Although there is sometimes some congestion in downtown and main industrial areas, there is really little problem moving goods within Hong Kong.

Port facilities and the airport are also excellent, so that movement of product into and out of the territory present no real problems. Throughput has increased steadily for the past decade (Appendix A, Table 4). Some of these facilities are nearing capacity. There could be problems with congestion in the coming years, because China has stalled the construction of additional port facilities and the new airport for political reasons. However, these are likely to be short-term problems. China is not likely to stop the projects completely, but simply wants to gain political concessions through slowing them down. Hong Kong is already proceeding slowly with many of these projects, so that they are only slightly behind schedule.

The biggest transportation problem is for businesses exporting to or importing from China. China's transportation infrastructure is severely overloaded. It can be difficult to ship product to and from China, especially without strong connections in the state companies which control access. Rail, road, and river transport noted in Table 4 have expanded more slowly than ocean and air transport. Rail, road, and river almost exclusively indicate shipment to and from China. (The apparent sharp rise in river cargo in 1992 is simply a reflection of new policies to eliminate under- and non-reporting by Chinese river vessels.)

Chinese vegetables come out relatively free of difficulty when they are shipped from close-by areas of Guangdong. Shenzhen vegetables usually come by truck, and those from further inland by river boats. Most of these trucks and boats operate without much need for official connections. It is nearly impossible for locations farther away in China to ship vegetables and fruit to Hong Kong. Shipping into China would also be difficult for distant locations, and few modern facilities such as refrigerated containers are available.

Hong Kong has one of the most advanced telecommunications and postal infrastructures in the world, and there are no problems communicating with the territory from any location with similarly advanced facilities. The apparent slight decline in parcel shipments (Appendix A, Table 5) simply reflects the rapid expansion of private international courier services, whose traffic is not reflected in these figures. The fax is hugely popular, and is rapidly replacing older methods such as telex and telegram. However, the networks are not used extensively for distributing pricing information. VMO, the Cheung Sha Wan Wholesale Market, and the Western Wholesale Market will share information on past aggregate prices in their markets when requested, but there seems to be no coordinated system to disseminate current price information. Individual companies may send pricing information to customers, but rarely cooperate on a broad scale in providing market information.

## DEMOGRAPHICS

Hong Kong's estimated population in mid-1993 was 5,919,000 (HKGIS 1994). In 1991, the most recent census, the population was 5,522,281 (Appendix A, Table 6), or slightly more if Vietnamese refugees and residents away from Hong Kong during the census enumeration are counted. The government hopes that the Vietnamese will soon be gone (and China insists that they be gone by 1997), and many absent residents have probably emigrated. Population growth has been slow, just 2.34 percent since 1986, and has not exceeded an annual rate of 1.0 percent in any year since the early 1980s.

In part, this slow growth is due to the fact that the increasingly affluent population is following the trends in industrial countries toward small families. Partly growth is low because emigration in recent years has reached an annual level of 60,000. However, immigration from China is likely to grow. Much of this is illegal, but the Hong Kong government has recently begun to allow more legal entries because of labor shortages. Many observers worry that the trickle may become a flood after 1997. However, this is a sensitive political issue, and reliable figures on the magnitude of illegal immigration from China are not readily available.

Hong Kong's population is gradually aging, also following patterns in industrial countries. The median age rose from 28.6 in 1986 to 31.5 in 1991 (Table 2). The population is concentrated on Hong Kong Island, in Kowloon, and in the New Territories, which constitute the majority of area (Appendix A, Table 7). New Territories is the only region with rapid growth, which mostly represents a population shift out of Kowloon. Although New Territories is a large region, most of its population is concentrated in the New Towns, and very few Hong Kong residents in any area could be classified as rural. The vast majority of residents are Chinese, and only about 3.2 percent claim a non-Chinese language as their mother tongue.

Tourism also contributes substantially to consumption in Hong Kong. In 1992 there were more than 8 million tourist arrivals. The vast majority of visitors are from some part of East Asia, with Taiwan

Table 2		
Key Demographic Indicators		
	<u>1986</u>	<u>1991</u>
Population (1000)	5,395	5,522
Median age	28.6	31.5
Labor force participation		
Male (% age 15 and over)	80.5	78.0
Female	48.9	47.8
Source: Appendix A, Tables 7, 10		

accounting for 20 percent of tourists in 1992. Japan accounted for another 16 percent, followed closely by visitors from Southeast Asia and China. Together, these four groups accounted for about two-thirds of visitors. These trends are different from even five years earlier. Although tourism from most major countries has increased, Taiwan and China have contributed by far the most to this increase (Appendix A, Table 8).

## **DISPOSABLE INCOME**

Hong Kong's remarkable economic performance has resulted in living standards comparable to those in the advanced countries of the West and Japan. Living standards are high and have been rising rapidly. Per capita GDP was more than HK\$143,000 in 1993. (The Hong Kong dollar is currently pegged to the US dollar, and fluctuates in a narrow band around 7.8 HK\$/one US\$.) From 1985 to 1991, the last year for which detailed figures are available, the proportion of Hong Kong households earning HK\$10,000 or more per month increased from only 18 percent to 50 percent (Appendix A, Table 9).

Many households benefit from dual incomes, since nearly half of all women over age 15 work (Appendix A, Table 10). The slight declines in labor force participation over the past 5 years is due almost entirely to the increasing tendency for younger men and women to stay in school longer to improve job prospects. Appendix A, Table 11 indicates that women are entering professional type jobs in force. Households also benefit from a low personal tax rate (15.5 percent), so that people enjoy high take-home pay and households have considerable purchasing power. Hong Kong residents enjoy disposable incomes that are among the highest in the world.

Average biweekly household food expenditure in Hong Kong is nearly HK\$1,800, an average of about one-third of household expenditure (Appendix A, Table 12). Households with less money spend up to half of disposable income on foodstuffs. However, Cantonese truly love eating. As their incomes rise, they spend much more on food than needed to simply make moderate improvements in their diet. The 100,000 households with highest expenditure levels spend US\$1,000 or more per month on food. Hong Kong Island is the most affluent area, with biweekly expenditure at least HK\$2,500 above other parts of the Territory (Appendix A, Table 13). As might be expected, expenditure on food on the Island is lower in percentage terms, but higher in dollar amount than for other areas. Other than on Hong Kong Island, expenditure levels overall and on food specifically do not differ much by area.

## **FOOD CONSUMPTION PATTERNS**

The diet in Hong Kong is still thoroughly oriented toward Chinese, and especially Cantonese, cuisine. Western food, though, is becoming increasingly popular, especially in restaurants and fast food outlets. As they become more affluent, many Chinese also start eating the types of food that one would expect in the West, even though the style of preparation may remain Chinese. For example, pork, chicken, and seafood are the traditional meats in the Chinese diet, but beef sales have been expanding dramatically in the past decade. Fresh vegetables are traditional, but there has been increasing use of Western vegetables such as bell peppers and broccoli.

More affluent consumers are demanding more variety in food products, and younger people actively seek new products. Many people are becoming more concerned about hygiene, which affects

the type of restaurants and retail stores they visit. They are paying more attention to the ingredients in food, and are beginning to demand complete information on package labels. Freshness, always important in Chinese cooking, has become more critical to many consumers, leading to stagnant sales of many processed products, such as canned food. In general, Hong Kong is a dynamic market

The high labor force participation rate among women has also led to increasing demands for convenience. Partly this is reflected in the very large share of total food expenditure spent in restaurants. Partly the need for convenience translates into use of convenience foods in home cooking. Microwave ownership has expanded at about 45 percent per year in recent years and was at about 16 percent of households in 1989. Convenience is also behind the increasing popularity of precut and preseasoned packaged fresh meat and vegetables.

Health issues are also becoming important in food choice. For example, some Park'N Shop stores now carry Hong Kong-grown organic vegetables. They are well accepted by consumers, even though prices are generally 15 to 30 percent higher than for other produce. In a small random sample (n=93) taken in lower-middle to middle class Hong Kong housing estates, more than one-fifth of the respondents said they were likely to choose organically grown vegetables. Similarly, canned/package foods without MSG and beverages without artificial additives were preferred by 14 and 16 percent, respectively. One-quarter of respondents said they were very likely, and another third somewhat likely to switch brands if they saw a new brand advertised that stressed such characteristics (Tong 1991).

There are clear differences at different levels of affluence in which kinds of food people buy (Appendix A, Table 14). Rice makes up a higher proportion of expenditure on cereal grains and processed grains (such as bread) for less affluent families. Absolute spending on rice does not change much among higher income families, but these people spend much more on the grains and processed products common in Western diets. For example, households with biweekly expenditure of HK\$3,000 (2,310-3,459) spend about HK\$33 on bread, cakes, biscuits, about the same as for rice. The top expenditure category spends HK\$91 on bread, cakes, and biscuits, but only HK\$28 on rice.

Similar shifts are evident in spending on other types of food. The majority of red meats consumed by the lower income households is locally slaughtered, mostly pork. Most of the animals are imported from China. But among the top expenditure category, which spends more on meat, nearly half is frozen. Most frozen meat is imported from Western countries and Latin America. Families with more money do not consume less locally slaughtered meat or poultry. They simply increase their consumption of meat overall, and most of the increase is high quality imported meat.

Consumption of fresh fruits, fresh vegetables, and dairy products increases substantially at higher incomes. The expenditure category band around HK\$3,000 spends biweekly about HK\$83, 64, and 21, respectively on these three categories of food. Households with the highest spending increase spending to HK\$111, 114, and 81, respectively. However, processed vegetables and fruits are not very popular at any expenditure level, since freshness is a key criterion to Chinese in choosing produce.

Eating in restaurants is very popular among Hong Kong Chinese. Among households with the highest expenditure levels, nearly two-thirds of the food budget is spent on meals away from home. But even the expenditure category around HK\$3,000 spends about half of its biweekly HK\$1,323 food budget on meals away from home. Households in the expenditure category HK\$5,570-6,919 spend 59 percent of their HK\$2,280 food expenditure on restaurant eating (Appendix A, Table 15).

Table 3

## Average Biweekly Expenditure on Selected Foods, 1991

	<u>HK\$</u>	<u>Percentage</u>
Rice	33	1.8
Bread, Cakes, Biscuits	45	2.5
Fish	99	5.5
Fresh Pork	74	4.1
Fresh Beef	23	1.3
Fresh Poultry	37	2.1
Frozen Meat & Poultry	33	1.8
Fresh Vegetables	83	4.6
Fresh Fruits	75	4.2
Processed Fruits/Vegetables	10	0.6
Meals Away From Home	1006	56.0
Total	1796	

Source: Appendix A, Table 14

Aside from the amount of money spent in restaurants, the main differences are again an increasing orientation toward Western food. The lower income households vary rarely visit Western restaurants. Fast food restaurants, though, are more or less equally popular among all levels of affluence, and spending does not differ as dramatically by expenditure category in them. Average biweekly expenditures are presented in Table 3.

### AGRICULTURE AND FOOD INDUSTRIES

Traditionally, rice was the main crop in Hong Kong's New Territories. However, rice paddies disappeared in large part many years ago. Many farmers also raise livestock, especially pigs and poultry, but production of livestock is

also declining rapidly as environmental pollution controls are strengthened. Hong Kong has a fishing fleet of some 4,500 vessels and 21,000 fishermen that supply marine fish. Current agriculture now focuses mainly on high value market crops such as fresh vegetables and fish. (Both marine and freshwater fish are farmed as well as fished.) As Appendix A, Table 16 indicates, fish production has remained relatively steady, but all other areas of agricultural production have declined substantially over the past decade.

About 26 percent of daily consumption of fresh vegetables was produced in Hong Kong in 1992 (Appendix A, Table 17). These percentages overestimate the contribution of local production to Hong Kong's food needs, because they do not account for processed or prepared foods. Main vegetable crops are white cabbage, flowering cabbage, lettuce, kale, radish, watercress, leaf mustard, spring onion, and chives. In recent years the area devoted to traditional Chinese vegetables such as flowering cabbage and white cabbage has declined, replaced by temperate vegetables such as tomatoes, sweet corn, celery, head lettuce, cauliflower, and sweet peppers. Local vegetables are moving to more direct competition with imports from Europe and North America, and beginning to shift away from competition with lower-value vegetables from places like China.

Local agriculture does not enjoy any special advantages in the Hong Kong market. It is not subsidized by the government, nor is it protected from market forces and outside competition. The government does provide infrastructural and technical support to help the sector remain highly productive. There are also several quasi-governmental marketing organizations, notably VMO and the Fish Marketing Organization, which operate wholesale markets handling the majority of local produce and fish distributed in the territory. The main objective of these two organizations is to make it easy for local producers to market their output to encourage local agriculture. Other wholesale markets have different objectives, oriented toward making wholesale marketing work well.

There is also a small food processing industry, accounting for less than 2 percent of all manufacturing establishments in Hong Kong, but slightly more than 4 percent of manufacturing output. In 1992, there were 783 of these establishments (Appendix A, Table 18). Most of them are small, with an average of only 30 employees per business. However, food processing companies with foreign participation or wholly owned by foreigners also tend to be large. In 1991, there were just 25 food processing manufacturers owned or partially owned by foreign companies. (Nine of them were Japanese.) The 25 with foreign ownership accounted for approximately one quarter of sales in the entire industry.

Beverage manufacturers also tend to be large. (Some of them are included in the firms with foreign ownership.) With only 22 firms, they account for one quarter of output by value. Otherwise, one of the main product lines is pasta and bakery products. Firms producing these account for 37 percent of all of the food processing firms, but only 18 percent of output by value. There are no other product lines that account for large shares of the industry.

Most sales by Hong Kong's food processing manufacturers were local. Less than 10 percent of the sales value of production was exported in 1989. About one-third of exports go to the China market, either directly or through Macau. But the percentage of output that the foreign-owned food processing companies export to China was nearly 40 percent.

Some firms do produce canned and preserved vegetables, which account for about 10 percent of output by value. These types of firms tend to be small, using traditional Chinese management and manual production processes. Exporters targeting such food processors would need to be exporting relatively low-value vegetables common in the Chinese diet, and would need to compete mainly on price. Most of the larger, more modern food processors, who would be more interested in higher-quality inputs, are concentrated in pasta and bakery, dairy, and beverage products and do not use many vegetables.

The health inspectorate of the Hong Kong Government monitors and regulates all levels of the food industry, including sale of both locally produced and imported food, and food processing. Food samples are regularly taken for chemical analysis, bacteriological examination, and toxicity tests. Field tests for pesticide residues are also performed on imported vegetables at all points of entry into Hong Kong, including the airport for airfreight produce. The government has continued to review food legislation to ensure that laws remain consistent with international standards. The government also conducts food safety seminars for the trade.

## **FOOD RETAILING**

Food business establishments must normally be licensed. Each establishment is graded according to past performance, and the frequency of inspections is determined by this grading. Establishments can fail to have their license renewed, and can even lose their licenses, if they do not comply with public health standards. In practice, this has affected mostly very small, traditional businesses and hawkers. These forms of food retailing have been declining dramatically in the last decade.

There were only an estimated 75 unlicensed food establishments in 1991, down from more than 600 only 5 years previously. There has also been a substantial decline in the number of hawking licenses (15,658 in 1991) as hawkers are re-sited to stalls in public markets. However, enforcement with itinerant hawkers has been more difficult. There were more than 100,000 convictions for illegal hawking in 1991, though not all of these were for food products.



The most important traditional outlets remaining include small neighborhood stores and wet markets. Most customers at small stores tend now to be older, less educated, and with lower income. All of the 108 public markets are operated by either the Urban Council or the Regional Council (Appendix A, Table 19). The 15,923 stalls in these markets (in 1993) operate under license or permit. Even many "modernized" Chinese shop for some foods in wet markets. One key reason is that freshness is very important to local consumers for a wide variety of products, and they believe that many kinds of food are fresher in wet markets. The vast majority of fresh fruits and vegetables sold in Hong Kong probably move through wet markets.

However, much of the modern middle class is beginning to believe that supermarkets are more modern, cleaner, and have a better atmosphere. This has led to rapid evolution of food retailing in Hong Kong during the past 15 years, with increasing concentration of sales in supermarkets. There were nearly 20,000 food retailing outlets in Hong Kong in 1991, but it is estimated that nearly one-half of all food sales now go through supermarkets. Only 15 percent of fresh produce is currently sold in supermarkets, but this is likely to rise substantially over the decade. More than 36 percent of sales moved through just 14 stores with largest sales volume in 1989 (Appendix A, Table 20), and the trend toward concentration has continued. Both volume and value of sales through supermarkets have expanded more rapidly than sales through other kinds of food retail outlets (Appendix A, Table 21).

Supermarkets were first introduced into Hong Kong more than 20 years ago. There were only about 100 by 1975 and 200 by 1980. But by 1990, there were well over 800 supermarkets and the major chains were still growing rapidly. The lower end of the market consists mainly of several smaller chains and local independents, though a few larger chains are developing the lower- to lower-middle class part of the market. The main larger ones include Kitty & Kettie (K&K), which has about 20 stores, and Dah Chong Hong (DCH), another local chain with 40 outlets in 1990. The China Resources group, which handles nearly one quarter of the China trade moving through Hong Kong, has been developing its own chain, and has more than 30 stores. It focuses more strongly on Chinese food products. Competition at the low end is highly oriented toward price, and these stores do not usually carry many fresh produce items.

By 1990, the two largest chains were Park'N Shop and Wellcome, both locally owned. They own about 170 and 180 outlets, respectively, and the parent companies of these two chains are two of the largest importers of food items in Hong Kong. These two chains have extensive penetration throughout all areas of Hong Kong, and controlled an estimated 24 percent and 34 percent of packaged food sales in Hong Kong in 1990. Although some of their stores in specific areas serve up-market customers, most of these stores focus on the broad middle class and lower middle class market. Even in these two major chains, price competition is fairly strong, with Wellcome somewhat more price oriented than Park'N Shop. Both of these chains carry fresh produce, though not extensively in all stores. Both are developing their own wholesale centers to serve their retail chains.

Many of the major non-local supermarkets are Japanese, located in Japanese department stores. One set of Japanese stores focuses on the broad market among middle class to upper middle class local Chinese, and defines the two major local chains as their main competition. Yaohan, with 8 stores, is one of these and is the largest and most rapidly expanding Japanese chain in Hong Kong. Other Japanese supermarkets are more like specialty niche marketers. They maintain their Japanese identities more strongly, and are located in major middle class shopping districts rather than in the main residential districts. None of the Japanese stores compete on price very much, and often they are trendsetters in the introduction of new products and new merchandising techniques. Most of the Japanese stores carry quality fresh produce.

Several other supermarkets are important in the higher end of the market, such as United States & Co., Olivers, and Lucullus, each of which has several stores. They can be classified similarly to the Japanese niche marketers, focusing mainly on the upper end of the market and on expatriates. Some of them carry high-quality, imported produce, but the volume is not very large compared with the Japanese stores.

The restaurant industry must be mentioned because it has grown so rapidly in the past decade, and because so much of the typical household's food budget is spent on eating out. Higher income consumers are most likely to visit Western restaurants. Fast food restaurants are popular among all income levels, and everyone goes to Chinese restaurants. All types of restaurant have enjoyed strong growth, but fast food restaurants have far outpaced other types (Appendix A, Table 22).

Most restaurants buy from wholesalers and importers. Only a few large chains purchase in large-enough volume to develop direct links to producers. Western restaurants tend to use mainly imported Western food products, including most vegetables, and usually want premium-quality products. The larger fast food chains have begun moving to sourcing many products in China. Chinese restaurants buy some imported food products, but usually source produce from China since they mostly use Chinese vegetables. Because of higher volume, fast food and then Chinese restaurants have the largest sales per store (Appendix A, Table 22).

## **WHOLESALE AND DISTRIBUTORS**

Food wholesaling and import/export tends to be dominated by larger firms. The 35 largest food products wholesalers in the territory (out of 3302 in 1939) controlled 28 percent of sales. Mid level wholesale firms, those with sales between HK\$1 and 50 million, also were strong (Appendix A, Table 23). Food imports mainly go through Hong Kong's large firms. The 131 largest food importers (out of 3,475) accounted for 53 percent of sales. Small to mid-sized firms held only a small percentage of total sales at the distributor level (Appendix A, Table 24).

Distributors can be classified into three groups. There are many small, essentially one-person operations in Hong Kong. In these, one key person has developed strong connections through some part of the industry. Such firms can be useful in gaining initial placement, provided the person's contacts match where the product needs to be. But one-person operations rarely have any coherent marketing strategy. They react to market situations, rather than plan for them, and they are heavily oriented toward price. Such firms can be suitable in selling commodities, but they are rarely good at marketing branded food products, or at implementing any long-term marketing strategy.

Another common type of distributor in Hong Kong is larger than the previous category, and has more modern, better-trained personnel. These firms are sales-oriented. They concentrate on the personal selling effort, but do not integrate it with other aspects of promotion, such as advertising or sales promotions. They tend to want quick results, and are not very willing to invest in building long-term markets.

Exporters whose products have clear advantages and are price competitive may want sales-oriented distributors to gain rapid placement with the distributor's existing channels. Exporters whose products require long-term market development are unlikely to be well served. Such distributors will not invest in developing demand, and they tend not to cooperate very well with other firms in the marketing channel in implementing marketing strategies.

There are not many marketing-oriented distributors in Hong Kong, but a few exist. Often they are medium to large firms, and some of them are Western-owned. Many of the smaller ones are niche marketers, concentrating on the high end of the market for a narrow range of product categories. They expect support for the product through cooperative advertising and promotion; they expect to work closely with the manufacturer and their customers in developing and implementing marketing plans. Marketing-oriented distributors do not necessarily expect immediate results, but look mainly at the long term.

Some distributors think that retailers (especially smaller ones) are influenced by distributor knowledge and presentation. Buyers at large retail chains are usually more knowledgeable, and buyers at Japanese stores usually are particularly well informed about products. However, Hong Kong channels are not noted for conveying much information in sales presentations. Generally, information flow within marketing channels in Hong Kong is not good, and no Chinese firm likes to provide much information.

Cooperation among retailer, distributor, and supplier on promotions is not good, either. According to distributors, most retailers source from several distributors. If a promotion increases sales, the retailer may order more from another distributor, not the one who helped in the promotion. So distributors do not want to invest much in helping. This view, of course, is typical of the one-person operations and the sales-oriented distributors, neither of whom is particularly interested in marketing or understands marketing very well.

## FOOD PRICES

Appendix A, Table 25 shows that food prices have been affected by Hong Kong's high inflation rate. Between 1983 and 1993, food prices approximately doubled. In the last several years, though, the increase in food prices has slowed slightly compared with overall inflation. There is also considerable difference in whether food is purchased in restaurants or in stores. The inflation rate for restaurant meals is much higher. In the 1990s, families who cook at home have seen food prices rise much more slowly than the overall inflation rate, while prices rose faster at restaurants. From 1993 to April 1994, there was hardly any increase for food eaten at home.

Increases in prices have not been uniform across all food categories. Breads, cakes, and biscuits; salt-water fish, processed sea products, dairy products, edible oils, and beverages are included among products that have seen relatively high inflation in the past year (Appendix A, Table 26).

Table 4  
CPI for Vegetables and Fruits  
(Base = Oct 1989 to Sept 1990)

	<u>Index</u> <u>April 1994</u>	<u>Percentage Change</u> <u>from April 1993</u>
Fresh Vegetables	95.2	-16.1
Processed Vegetables	114.9	1.6
Fresh Fruits	111.2	7.3
Processed Fruits	127.7	5.1

Source: Appendix A, Table 26

Fresh fruits also belong to this category of foods with rapidly rising prices. On the other hand, many products have had low inflation, including fresh-water fish, locally slaughtered beef, frozen meat, and eggs. Live poultry and, notably, fresh vegetables have actually seen prices fall in the last year. Fresh vegetables declined more than 16 percent in the year to April 1994 (Table 4).

Apples and oranges, two major fruits in Hong Kong, have defied retail price trends and declined in price, mainly because of increased supply from the United States (Appendix A, Table 27). All of the most common vegetables in Hong Kong have become cheaper in the last few years partly because of the large-scale development of vegetable farming across the border in China (mainly Shenzhen) by Hong Kong growers. Appendix A, Table 27 shows that the vegetables easily grown in southern China have all declined in price. This is a key reason why local farmers are shifting to Western vegetables. The impact on farmers is perhaps more evident from wholesale prices for vegetables. Wholesale prices for several common locally grown vegetables have fallen 25-50 percent since 1992 (Appendix A, Table 28).

### **TRADE: IMPORTS AND EXPORTS OF FRESH PRODUCE**

There are no restrictions on imports of food items, but they must meet regulations concerned, for the most part, with consumer protection. Many fresh foods must be accompanied by documents certifying inspection. Packaged foods must be labeled showing ingredients in descending order by weight or volume. The label may be in either English or Chinese, but if both languages are used, the product name and the ingredients must appear in both languages. The package should also show the date by which the product should be sold. Prepared fruits and vegetables should also not contain colorings or additives banned by the government.

Hong Kong imports nearly three quarters of its vegetables and all of its fruits. Imports of both fresh and prepared vegetables have leveled off in the past several years, a result of a per capita consumption that has remained steady for the past decade (Appendix A, Tables 29, 30). In 1993, the value of imported fresh, frozen, and chilled vegetables was HK\$2,123 million. About one-third of these imports were reexported. In volume, net consumption after accounting for reexports was about 552,000 MT, or 93 kg per resident. The value of imported prepared or preserved vegetables was similar, HK\$2,063, but 80 percent of these are reexported.

There is a huge variety of vegetables on the market in Hong Kong. The ones most commonly grown in southern China and eaten in the southern Chinese diet are different from common temperate zone vegetables. Therefore, the low-cost vegetables imported from China do not really compete directly with vegetables from Europe and North America. Aside from China, the United States is a major supplier of vegetables to Hong Kong. It dominates in several product categories, such as fresh/chilled lettuce, and is important in the small markets of many individually categorized vegetables such as potatoes, tomatoes, onions, round cabbage, and flowering cabbage.

Australia is another major source of Western-type vegetables, whereas most European countries have concentrated on the very top end of the market in most cases. Holland has been a notable success at this niche marketing of very-high-value vegetables. It has small shares in the markets for a wide variety of Western-type vegetables, and has achieved shares of 8 to 10 percent in some markets (potatoes, tomatoes, and mushrooms).

Some Southeast Asian countries are strong in vegetables which grow well in the more tropical climate. Thailand, in particular, supplies most of Hong Kong's tapioca and 9 percent of dried beans. It has smaller shares in a wide variety of other vegetables listed separately in Hong Kong trade statistics. Unfortunately, it is not possible to use Hong Kong statistics to analyze most vegetables where Southeast Asia is strong, because most of these less-common varieties are not characteristic of either China or the West and are not broken down in detail.

Fresh fruit consumption is still growing in Hong Kong, which has resulted in increasing imports over the past several years (Appendix A, Tables 29, 30). In 1993, imports of fresh fruit stood at HK\$5,764 million, of which about one quarter was reexported. This represented a net consumption of 597,000 MT, or 100 kilograms per resident. In 1981, per capita consumption of fresh fruits was only 74 kilograms, and even in 1991 it was only 86 kilograms. Preserved and prepared fruits are a smaller market, with only HK\$859 million in imports in 1993. Nearly two-thirds of this was reexported.

The market for fruit is similar to that for vegetables in the sense that it can be divided into fruits from temperate areas and fruits from tropical zones. China is not strong in most fruits. The United States dominates in supplies of most fresh temperate zone fruit. Australia, and sometimes New Zealand, are also important smaller suppliers of most of the same fruits that the United States exports. Southeast Asia supplies most tropical fruit. Within that region, the Philippines and Thailand are the major suppliers. Philippines, for example, accounts for 95 percent of pineapples; 60 percent of avocados, guavas, mangoes; and two-thirds of bananas. Thailand provides 38 percent of grapefruit, 40 percent of coconuts, and 80 percent of the HK\$540 million catch-all category of otherwise unspecified fruits. Malaysia is also important in a few specific fruits, accounting for 42 percent of coconuts and 30 percent of melons and papayas. Other than these, most Southeast Asian countries show up with at least small shares of fruits grown in tropical areas.

Several trends in food imports and the food market in Hong Kong are important for suppliers to recognize. Convenience will continue to increase in importance as a choice criterion. Frozen dinners are gaining popularity, especially those that can be microwaved and have an Asian flavor. Precut fresh vegetable mixes for specific dishes are also becoming popular. These trends will benefit Southeast Asian food processors who are able to produce convenience-oriented fruit and vegetable products.

Quality is becoming increasingly important, and the share of the market that is highly price-oriented is shrinking. Numerous surveys over the past several years have shown that only 25 to 35 percent of the market is highly price conscious. The majority is value-oriented, and look for good prices among products of better quality but not interested in low-priced, low-quality products. Most of the top income categories increasingly look only at quality, and pay no attention to price at all. This will benefit air-flown, high-quality vegetables and fruit.

Canned fruits and vegetables with imported brand names also show good promise. Although the market for canned goods is not growing much, imported brands are rapidly displacing Chinese brands, despite higher prices. So far, this has mostly benefited Western brands, which consumers perceive to be of higher quality. But as Southeast Asian brands develop their presence, they will benefit also. Consumers perceive them to be better than Chinese, if not quite as good as Western. Their natural target market is the value oriented segment.

## **HISTORICAL SITUATION OF THE WHOLESALE MARKETPLACE**

There are many wholesale markets in Hong Kong, but the vast majority of vegetables and fruits imported from overseas (rather than from China) move through the CSW and to some extent the Western wholesale markets. A substantial portion of Chinese produce also moves through CSW and Western, with the exception of produce from Shenzhen. Much Shenzhen produce is grown by Hong Kong growers over the border, and usually is sold through the Vegetable Marketing Organization (VMO), also located in CSW (Figure 2).

To bring the role of the CSW and Western wholesale markets more sharply into focus, it is useful to note first the VMO mission. VMO was originally set up in 1946 by the Department of Agriculture for the purpose of fostering local agricultural production. The physical market was established in its present location (CSW) in 1965. The primary function of VMO is "the provision of a wholesale vegetable marketing system whereby the farmers may obtain a fair price for their vegetables and at the same time the vegetable retailers may have a convenient point to purchase their daily requirements" (VMO 1994).

In VMO thinking, agricultural production would be improved if government performed wholesale functions itself and eliminated private wholesalers, who depress prices for producers and inflate prices to retailers. This is not a very Hong Kong oriented philosophy, and in practice, many trading and handling activities gradually became privatized. Initially, several vegetable marketing cooperative societies began providing services within VMO facilities, and then a number of illegal traders operating in and near VMO were formally brought into the facilities.

VMO still manages market facilities, provides transportation for collection and movement of product to the market, and maintains its own sales force. It receives commissions from private wholesalers for providing these services, and rebates part of the commission for those wholesalers who do not use specific services. Transportation and handling are partially subsidized, but most services are offered on a cost recovery basis, and not subsidized. When a surplus arises, it is reinvested in agricultural marketing and agricultural production. In 1992, VMO generated an operating profit (surplus) of HK\$21 million.

However, it seems that the original purpose for VMO is slowly being eliminated, as local agriculture declines in importance. VMO now deals primarily in imported vegetables, not locally grown ones. In 1992, 77 percent of vegetables sold through VMO were imported, up from 73 percent only a year earlier. Most of these imports probably come from Shenzhen, and perhaps are technically justified by noting that local growers often raise them. Nevertheless, some private wholesalers regard VMO as unjustified competition from the government, especially now that it handles mainly imported vegetables.

## **PLANNING THE CSW AND WESTERN MARKETS**

CSW and Western wholesale markets operate under a very different philosophy, much more in keeping with how most things are done in Hong Kong. The Agriculture and Fisheries Department set them up to improve efficiency and hygiene in the wholesale distribution of imported fruits and vegetables. The markets are government built, but the role of government in them is simply to provide and manage physical facilities. The wholesalers in the markets are all private firms, and many of the services are run privately.

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In the 1960s, when the idea of building such markets first came up, complaints were increasing about unofficial markets along many streets in Hong Kong. Some were located in densely populated areas. Local residents and merchants complained about noise, congestion, and pollution, and were worried that the markets blocked development. Furthermore, the unofficial markets were traditional, and lacked space, technology, or management expertise to cope with the increasing demand for fresh foodstuffs. The government began formulating policy on these issues in the early 1970s, and by 1978 set up temporary wholesale markets at CSW and Western.

The markets set up in 1978 were considered stop-gap measures that would eventually be superseded by more thoroughly planned facilities. The long-term plan at the time was to bring a number of products into a single, large market facility. This would capture economies of scale, as well as provide a more efficient use of scarce land. The planning was done by the Market Development Division (MDD) within the Department of Agriculture. MDD conducted many surveys and studies of local food products wholesalers and traders to determine needs and preferences, and gave a set of requirements and specifications to the Architectural Services Department (a Hong Kong Government division) for design.

In the process of developing plans, MDD visited several other markets outside Hong Kong. Some aspects of those markets may have been incorporated into final plans, but no outside market was copied since it was felt none met Hong Kong's needs very closely. Outside consultants were also invited to evaluate planning at various stages of the process. Similarly, consultants' recommendations only served as guidelines, and were not followed slavishly. The markets ended up being very much the result of locally oriented local planning that had access to but did not copy outside examples.

The current CSW market faced several other difficulties. Work was planned to start in 1982. However, the site had to be changed several times because it conflicted with other development and reclamation projects in west Kowloon. Once the new airport project began to be implemented, it took land that had earlier been allocated to the new CSW wholesale market. This slowed down the completion of the project. Work on Phase I of CSW was finally started in April 1992, and completed in late 1993. The temporary wholesale markets for imported vegetables, fish, and eggs moved to the current market facilities. Phase II, which will include the poultry and fruit wholesale markets, is scheduled for completion in 1997.

CSW wholesale food market (Phase I), which includes imported vegetable, freshwater fish, and egg wholesale markets, covers 10.5 hectares, of which 4 to 5 hectares is for vegetable wholesaling. The vegetable market accounts for 51 percent of ground floor space of the market stalls, and 66 percent of planned capacity in tonnage of throughput. Current annual vegetable throughput of 145,000 MT is projected to reach capacity of 231,000 MT by 2011. The market is already fully populated and there is low turnover of stalls so far, so entering the market would be difficult for new firms. Phase II is planned to be about 9.5 hectares, but plans also include building higher, which would give more room than in Phase I.

Phase I of Western Wholesale Food Market was completed in 1991, and Phase II was completed in March 1994. Fruit, eggs, and fish moved in 1991, while imported vegetables and poultry were included only in 1994 when Phase II was ready. The Phase I part of the market covers about 4.2 hectares, and Phase II covers 2.0 hectares. Fruit and vegetables account for 29 and 27 percent, respectively, of ground floor space in the market stalls. In 1993, when only Phase I was in operation, fruit accounted for 77 percent of throughput on a MT basis.

Parking space in the Western wholesale market has 398 numbered locations, of which 57 are allocated to fruit lorries and 93 to vegetable lorries. The waterfront consists of five piers and a small

storage area comprising 6,522.5 square meters. The CSW wholesale market (Phase I only) has space for 728 common lorries and 36 spaces for large lorries and container trucks. No breakdown is available on how many are allocated to vegetable carriers. The waterfront consists of 3 finger piers on a 350 meter strip of land along side the market.

## **SOURCES OF FINANCING**

The Hong Kong government financed both CSW and Western wholesale markets entirely with government funds. Hong Kong has no shortage of funds, and the government usually runs a large surplus, so there were no real difficulties in financing the projects. The facilities are amortized over an expected 60-year life for purposes of fixing rents. Each project is run on a complete cost-recovery basis over this 60 years. However, the markets are subsidized to the extent that only actual cash outlay is considered in figuring the cost of the markets. Cost of capital was not included, so no interest charges are calculated into rents and service charges. Also, the land on which the markets were built all belonged to the government, so there was no cash outlay for it, and cost of land is not charged. Nor are market prices for rents considered in the calculations.

There has been no problem to date in getting rents toward repayment of the market cost. So far, there has been more demand than stalls available to accommodate new firms. Apparently, only one trader (eggs) has left since the new markets opened, and that space was filled immediately. Among the traders we interviewed, 8 had stalls in both markets. Most of the others wanted to have stalls in both markets, but could not get a space because all were occupied.

According to government respondents, spaces will be allocated by lottery when there is more demand than space. There are no entry fees or bidding, just straight rent charges, which increase by no more than the CPI index. Since there has been no formal turnover, one cannot be sure if these policies will be followed in practice.

Informally, there may be some form of entry fee. Because leaving a stall requires returning it to the government, companies may come up with methods to "sell" the space that do not involve formally leaving. We heard of one case where the new operator was brought in as a "partner" of the old operator. The new one runs the business, but the old one remains on the tenancy lists. We have no additional information on the nature of this transaction, but such arrangements in other areas in Hong Kong do sometimes include some kind of access payment.

Many vegetable traders in CSW complain that they have difficulty remaining profitable because the trade volume is small relative to the rents. The volume of vegetables traded through CSW was down slightly in 1991-1992 compared with 1988-1990. However, most of the squeeze on traders probably comes from the fact that the new market has more room than the temporary one. The number of wholesalers in the market increased substantially, whereas trade volume was and is relatively steady. Also, much of the SEZ trade has shifted to VMO, which remains at the old site. (The temporary CSW wholesale vegetable market was located next to VMO.) Finally, many merchants expanded the size of their operations by taking larger stalls or two stalls in the new market. The volume of their business has not yet caught up to the increase in overhead.

Some of the complaint is also undoubtedly standard public relations designed to keep the government from knowing how well wholesalers are doing so that it will not raise rents. The best



indicator of the state of wholesale businesses is the fact that no merchants are leaving, and that they much prefer the government as a landlord compared with moving out to private facilities.

Maintenance and most services are run under private contract. Usually, the trade organizations, not the government, has ultimate responsibility for services, and contracts to private companies to provide them. Even when the government provides some services, they are on a cost recovery basis. The government does not subsidize any of these activities.

### **MARKET LOCATION AND OWNERSHIP**

The choice of sites for the CSW and Western markets were based mainly on what land was available near the sites of the old temporary wholesale markets. There were not many choices, since the markets had to be on government land and have a sufficient area with waterfront. Use of government land allowed CSW and Western to implicitly subsidize the cost of their services, since the value of the land was not included in cost recovery calculations on which rents and service fees are based. It also allowed the government to avoid any conflicts with private parties over use of the land. However, there were competing interests within different parts of government over land use, and CSW had to be re-sited several times before construction could finally begin.

Most of the traders we interviewed complained about the new locations. The major problem seems to be that public transportation to the sites is not yet very good. For example, the CSW market is nearly a mile from the CSW MTR station (Figure 3). Since many people in Hong Kong do not drive regularly but use public transportation, this can hinder the movement of individuals such as market personnel, buyers, and small customers. There were few complaints about the location in terms of difficulty in moving actual product in and out of the market, because road access for trucks is good.

The new CSW vegetable wholesale market is beginning to change the structure of the vegetable wholesale trade. SEZ (mainly Shenzhen) vegetables are shifting to VMO, which traders claim is more convenient for the trucks arriving from Shenzhen. Previously, CSW temporary market was located right next to VMO, so CSW got much of the Shenzhen trade. Now, the CSW merchants want the government to make VMO relocate near CSW, so that VMO will have no advantage for truck transport from Shenzhen. Similarly, many of the smallest retail customers seem to be shifting to VMO, which they find more convenient than the new CSW site.

The current VMO site (and site of the former CSW temporary market) is slightly inland (in the direction of the N arrow on Figure 3) and has no waterfront access, which make it inaccessible to riverboats from China. Once they were on the waterfront, but lost access many years ago to land reclamation projects. As a result, some of the China trade from places other than Shenzhen seems to be shifting to CSW.

This probably does not much reduce VMO business, which never had much China trade other than SEZ imports. Rather, some business that previously went to other small markets may be coming to CSW for the better port facilities. However, government respondents feel that the markets overprovided for waterfront, because there is a lot of slack time on the piers at non-peak times of the day. They have changed policy and now allow handling of dry cargo in off-hours.

In practice, SEZ vegetables tend to be mid-market, so CSW seems to be polarizing into low-end (Chinese) and high-end (overseas) products. The good physical facilities and the loss of SEZ trade are

encouraging many traders to begin moving up-market, especially since there seems to be some loss of the small customers, who are generally interested in the low-end vegetables. Traders are investing more in refrigeration to spread out availability of their vegetables over time. They are providing more value added services, such as cutting/trimming and packaging. Some traders are beginning to develop long-term supply contracts, rather than relying on daily market transactions.

Government policy and practice in the markets give the traders sufficient security to plan such longer-term strategies. Spaces are rented out on 3-year leases, with options to extend for another 2 years before rents must be renegotiated. During this 5-year period, rents cannot increase at more than the rate of increase in the CPI index. Either party must give 3 months' notice to break the lease. In practice, only one egg merchant has vacated so far. Traders cannot transfer rights to the market stall, which reverts to the government if they do vacate.

The CSW and Western markets are too new to predict how things will go in the long term, but so far traders are generally happy with the government as a landlord. They feel much more secure than they would (or did previously) with a private landlord. They regard the government as much fairer and more consistent in policy than private landlords. Many are so confident about being treated fairly that they do not even bother to learn the terms of their lease because they have no fear of being evicted. (In the private sector, such evictions are fairly common if landlords think they can make more from new tenants.)

## CONSTRUCTION AND RECONSTRUCTION

Bidding for the market construction projects was open to all firms. Local firms won most of the bids, though often there was foreign participation in the project with the local partner. For the most part, no unanticipated problems arose during construction, and projects were completed within budget.

According to the Agriculture and Fisheries Department annual report in 1993, CSW (Phase I) was supposed to cost HK\$504.4 million. However, this figure did not include the piers on the waterfront. In interviews, officials said that CSW (Phase I) had an actual cost of HK\$585 million (including piers). They said that this figure represented a very small cost overrun compared with the original estimate, but did not specify how much. CSW (Phase II), which will include the fruit market, is scheduled to begin construction early in 1995 for completion in late 1997. It has a planned cost of HK\$1,105 million.

The main reason for the small cost overrun in CSW was delay caused by the need to move the site several times. This allowed Hong Kong's relatively high inflation to raise the ultimate cost. There were no such delays in building Western market, and both phases came in under the original cost estimates. Western (Phase I) was completed for HK\$337.8 million, against the planned budget of HK\$351 million. Western (Phase II) was completed for HK\$220 million, well under the budgeted HK\$320 million. The original estimates for Western were high because projected interest rates turned out to be somewhat lower than anticipated.

There was no need to relocate traders during the construction phase, since they were operating in the temporary markets at different sites. Once the new markets were completed, relocation from the old temporary markets was based on a survey of the old markets to determine who operated in them. Anyone who could demonstrate long-term presence in the market was eligible to move to the new markets, whether they were legal tenants in the old markets or not. The survey also looked at volume of trade of each trader to set up a priority system for the different size stalls and location of parking

areas. Within the set of priorities, allocation was by lottery if there was more than one trader who wanted a particular stall.

Traders were given two years notice to plan for the move. No one was forced to move, except to the extent that some traders occupied government land in the old markets. These were informed that their permits would be canceled once the new market opened. In practice, most traders who were on private land moved also. They wanted to be near the market, and they think that the government is a better landlord than private owners. The new markets were large enough to accommodate all the traders, but many traders were not able to expand the number of stalls or to expand into both CSW and Western as they wished. And, as mentioned, they did not always get the specific stall they wanted.

The traders in our interviews reported no major problems with the relocation. All of them had been in the old market, and all of them said the relocation was automatic. A few reported that the paperwork was bothersome. These may have been among the wholesalers who were not registered tenants of the old market, and thus had to prove that they had been operating in the old market for several years.

There have been no major improvements since construction of CSW (Phase I) and Western (Phases I and II). A number of small measures have been taken to deal with details that had not been anticipated. For example, rain shelter roofs were built over the computerized ticketing machines at parking lot entrances to protect them better from rain. Parking tickets had to be redesigned because wet hands (of fish handlers, in particular) got tickets wet, which jammed the computer. Some pier machinery had to be relocated or redesigned to account for wave motion.

## **RULES AND REGULATIONS**

Following the Hong Kong Government's philosophy of minimal intervention in the private sector, there are very few rules and regulations pertaining to operations in CSW and Western wholesale markets. The ones in force deal mainly with administration of the market, use of the market for nonbusiness activities, traffic control, access to the market, public order, and cleanliness. No regulations cover how the traders conduct business activities. In particular, it is not the government, but rather the market, that imposes standards on produce. Appendix C contains the brief statement of administrative rules for CSW as an example.

CSW market is more organized and efficiently run. Traders at CSW are pleased with the administration of the market. They say that the regulations in force have reduced triad activities to low levels and improved security. The CSW market also seems to have stronger regulation on cleanliness and better waste management, because it seems to be cleaner than Western. At Western, the government managers are apparently not as aggressive in enforcing the regulations. Traders say that there is more theft and more gambling. However, they think that this is mostly unorganized triad activity, for the scale of operations may be too small to attract much triad interest. Probably it is just individuals taking advantage of lax security.

The minimalist philosophy evident in market regulation is characteristic of most areas in which the Hong Kong Government is involved. The system has made Hong Kong highly competitive, and most individual firms cannot afford to perform poorly or they will soon lose their customers. Only the one-person distributors and wholesalers may be able to rely on strong personal connections to counter the effects of poor performance for some time. But even strong connections will not prevent local

Chinese firms for very long from looking for other business partners if it hurts their profits. At any rate, traders do not want more regulation, except for better enforcement (at Western) of the areas that the government does regulate already.

### **MANAGEMENT ARRANGEMENT**

MMD manages CSW and Western markets. Observation suggests that CSW is better managed., as noted above. Many of the traders interviewed think CSW is the best market, particularly those who have operations in both markets. Many of them complained that some non-business activities go on in Western (such as gambling), and that security was not tight enough so that some theft occurred. These things are rare in CSW.

Most activities like intermarket transport, sanitation, and so forth, are contracted out to private companies. The trade associations are responsible for managing these contracts. There is currently some debate on whether to contract out overall market management, including traffic and security, as well. The traders do not seem to want this; they regard the government as most fair and efficient, but the government is looking for ways to reduce responsibility and expenditure. Given the opposition, it seems unlikely that overall management will be privatized any time soon.

The smooth operation of the markets depends to some extent on the fact that Hong Kong's civil service is relatively free of corruption and is relatively impartial in how it administers the market. This may well shift gradually once China takes over in 1997. Many observers are worried that large-scale Chinese-style corruption will become common in Hong Kong. This possibility is increased by the likelihood that many competent administrators, including some who run the markets, will emigrate. In our interviews with just a handful of government market officers, one mentioned that he was moving overseas within a year.

## CURRENT WHOLESALE MARKETPLACE SITUATION

In 1993, 511,000 MT of vegetables were imported into Hong Kong (Appendix A, Table 30), which represented nearly 85 percent of all vegetables available in the Territory. Imported vegetables move mainly through the VMO, CSW, and Western markets (Appendix A, Table 31). VMO handles slightly more than one-third of all imports, but most of these represent imports from the Shenzhen SEZ. VMO is not really involved in import of vegetables from anywhere else. Other small markets mainly handle vegetables from China, and at any rate together they account for less than 7 percent of wholesale volume of imported vegetables. This leaves CSW and Western as the only markets of any importance for vegetables imported from countries other than China, as well as those from China outside Shenzhen.

CSW handled nearly 30 percent of imported vegetables in 1992, while Kennedy Town market handled 14.5 percent. Kennedy Town market was relocated to Western Phase II in 1994, so this represents an approximate share for Western market. CSW mainly sells to New Territories and Kowloon (49 and 41 percent of sales, respectively). It also supplies small amounts of imported vegetables to other wholesale markets (Appendix A, Table 31). VMO similarly supplies Kowloon and New Territories, but with local and SEZ vegetables, and is not supplying other wholesale markets. Western (Kennedy Town in 1992) sells about 96 percent of its vegetables on Hong Kong island and outlying islands (Table 5).

Appendix A, Table 32 shows that VMO has a bigger market share in both New Territories and Kowloon, which would be expected since Shenzhen vegetables are so important. However, CSW supplies nearly one-third of the vegetables in both of these areas. New Territories relies somewhat on various other small wholesale markets, but Kowloon uses other markets less extensively. On Hong Kong island, about 60 percent of vegetables came from Kennedy Town market in 1992, a market share that Western is likely to maintain or increase. VMO also was an important source of vegetables, but other markets only had small shares on Hong Kong island.

Table 5				
Primary Customers for Markets (percentage of total sales)				
Main Customers	Cheung Sha Wan		Western Market	Vegetable Marketing Organization
	<u>Veg</u>	<u>Fruit</u> *	<u>Veg</u> <u>Fruit</u> #	<u>Vegetables</u>
New Territories Retailers	49.2	51.7		39.0
Kowloon Retailers	40.8	39.6		47.0
Hong Kong Island Retailers			95.9 88.9	
Note: # for Kennedy Town Market, which moved to Western in 1994. * for Yau-matai, scheduled to move to CSW in 1997.				
Source: Appendix A, Tables 31, 33				

Fresh fruit imports in 1993 totaled 685,000 MT (Appendix A, Table 30), which was more than 99 percent of all fruit. The distribution of fresh fruit is less complex because very little is grown locally,

and because China is not very important as a source of most fruits. There are only two wholesale markets that are large enough to show up in statistics. Yaumatai, an informal traditional market area, handled 70 percent of imported fruit in 1992 (Appendix A, Table 33). This represents the probable market share for CSW in the future, since Yaumatai traders are scheduled to be relocated to CSW when Phase II is completed in 1997. Western market accounted for another 20 percent of imports. The rest was either directly reexported, or imported directly by large retailers.

As expected, the Yaumatai market sells mainly in New Territories and Kowloon. In these areas, it supplies around 94 percent of all imported fruit. Western market sells mainly on Hong Kong island and outlying islands, and supplies 92 percent of imported fruit in this area.

## OVERVIEW OF THE CSW AND WESTERN MARKETS

Market throughput of vegetables in CSW was about 144,230 MT in 1992, the last year for which detailed figures are available (Appendix A, Table 34). This represented a value of HK\$611 million. Movement of vegetables through the market in 1991 and 1992 was lower than in previous years, which probably contributed to traders' complaints about low trading volume. However, these years represent the time when wholesaling was disrupted by the move to the new market, and the subsequent shift in trading patterns. Volume in 1992 had begun to recover over 1991, so it is likely that trade will be back to previous levels within a few years. Nearly half of throughput is overseas vegetables, about 35 percent is from China, and the rest from the SEZs, mainly Shenzhen.

As would be expected in a market in which the largest component is overseas (rather than Chinese) vegetables, the largest volume items are Western vegetables. (Some local growers do grow Western vegetables in New Territories and Shenzhen, but these would mostly be sold through VMO.) The four largest volume vegetables in 1992, carrots, lettuce, potatoes, and tomatoes, together accounted for one-third of market throughput (Appendix A, Table 35). Volume of most Chinese vegetables has declined as Shenzhen grows in importance as a supplier, and thus trade in these vegetables shifts to VMO.

Market throughput of fruit at Western market was 134,622 MT in 1993, which represented a value of HK\$1184 million (Appendix A, Table 36). Throughput had been climbing steadily for several years until 1991, then was disrupted by the move to the new market. But volume recovered in 1992 and grew in 1993. Oranges and apples account for about half of all throughput by volume, and these two products come primarily from the United States (Appendix A, Table 37). Bananas and mangoes are two tropical fruits with relatively large shares of trade in the market; they make up 8 to 9 percent of throughput. Since the Western vegetable market just opened in 1994, there are no figures on throughput. Government planners estimate that there will be about 400 MT of vegetables traded per day this year.

Hong Kong's demand for fresh produce is apparently fairly constant across the week, and most traders reported that they did not see much difference in trading volume on different days. A few pointed out that the markets are closed on Sunday, and some of them felt that Saturday was therefore a little busier. By time of day, there seems to be little difference in peak times for fruit in Western market and vegetables in CSW. Because almost no domestic produce is traded in the markets, trading in domestic does not have any impact on trading in imported produce. Most traders said arrival of product peaks between 10 PM and 2 AM. Some stretched the peak times by about an hour either way. Chinese riverboats arrive from about 3 AM, but they cannot offload until 6 AM when the piers open.

Peak trading hours begin about 4 AM and trading begins to taper off by 7 to 8 AM. Again, some traders extended peak trading hours a little longer, especially if they trade in Chinese vegetables. Most traders said peak hours for shipments to customers begin shortly after the peak for trading.

## MARKET FACILITIES

The floor plans for the CSW and Western markets can be seen in Figures 4 and 5, respectively. Each market is spacious, especially when compared with traditional markets in Hong Kong. The fact that the markets are covered (by a second floor, but the upstairs markets are also roofed) is very popular. The old markets were outdoors. Nearly every trader interviewed also commented favorably on the amount of space available in the market and in their own stalls.

The CSW vegetable market lies on one side of the Phase I complex, next to the fresh water fish building. Floor 2 above the vegetable market contains the egg market. (But Floor 1 is actually 2 stories high, since it contains a ground floor and loft floor for each market stall.) Above the fish market is a parking lot, mainly for egg market business. One side of the market lies along the waterfront for access to produce brought in by river boat. The fresh water fish market also has a shorter waterfront, and next to it is the Fish Marketing Organization (salt water fish) with a somewhat longer waterfront.

CSW contains 236 vegetable market stalls of various sizes. The 10 largest stalls (A in Appendix A, Table 38) lie along the waterfront, and 8 more stalls that are nearly as large are located along the opposite wall. These stalls have ground area of 112 and 94 square meters, respectively, and also have lofts that are not quite half as large in area. These two sets of large stalls are occupied mainly by first wholesalers (importers). Much of their volume is sold to other wholesalers, many of whom are located in the same market.

Smaller stalls are positioned in blocks inside the market. The smallest stalls are along the two outside walls not occupied by the large first wholesalers, and in the center row. There are two rows of medium-sized stalls between the rows of small stalls. There are 116 small stalls (22 square meters), and 102 medium stalls in two sizes. Each of these stalls also has a loft about half the area of the floor. Most of the interior stalls are occupied by second wholesalers (not by direct importers). Most stalls of all sizes also use the common space in the isles for stacking product waiting for delivery or handling. There are painted lines that are supposed to indicate the limits of this encroachment on common space, so that traffic will not be impeded.

Western market contains the vegetable market (207 stalls), fruit market (132 stalls), and fish market along the waterfront, though the fish market has a slightly shorter frontage. The second floor over vegetables and fruit contains the poultry and egg markets, respectively. This market does not have any shops the size of the largest at CSW, and the largest ground floor area is about 50 square meters. The vegetable market contains 11 of these largest stalls, and the fruit market contains 24. There are 4 other sizes down to the smallest of only 13.5 square meters (84 stalls) in the vegetable market and a smallest size of 21 square meters (36 stalls) in the fruit market. All of the stalls have loft floors that are about three-fourths as large in area as the ground floors. Though the details differ, organization within the market is similar to CSW.

Refrigeration is not supplied by the government, but electricity for refrigeration is available in every stall. Nearly all of the larger stalls have installed refrigeration units, and many of the other traders

have them also. Ventilation of the whole building is very good at both sites, with open walls on all sides letting in cross breezes, and with a good ventilation system helping to keep air moving.

## MARKET OPERATIONS

There are ample parking spaces in the parking lots along the outside of the market where suppliers or customers can park for delivery or pickup. Each parking space is numbered and only properly registered trucks can park in them. Unless vegetables arrive by boat, they will normally be unloaded at this designated parking spot. Roads into the market are good under normal circumstances, though when construction is going on nearby, roads can be partially blocked.

We interviewed several truck drivers during peak hours, and they did not see any real problems with congestion getting to the market or moving within the market. They said the maximum wait to get the allocated space was usually about 15 minutes, and it did not take long to get out of the market once loaded. The slight congestion on the roads leading to the market was considered unusual, and was caused by a construction project.

Many of the traders commented that traffic management is one of the key advantages of CSW, and they think that the situation is far better than at the old markets. Inside the market, though, is a somewhat different story. The isles can be congested when all of the produce is downloaded before much has been moved out to customers' trucks. Congestion is the main reason why the peak times of delivery lagged the peak times of trading by about an hour. Many traders complained about this, though they still think the situation is better than it was in the old markets.

Traders attribute congestion to the practice of stacking product in the common areas in the isles. The painted lines help, but do not prevent congestion completely. Forklift drivers we interviewed said that it can take 35-45 minutes to move produce out to a truck. They also said that at the time of the interviews, congestion had eased slightly because the volume of Chinese produce was down due to the late summer floods in China.

Much of the loading and unloading in the markets is done manually, with handcarts. Many forklifts and motorized carts are available, run by private transport companies. Most traders do not have their own. Recently, the government ruled that only electric motors can run inside the market, but gas-fueled vehicles still run around outside. There does not seem to be a problem with too many hauling and lifting vehicles, since most wholesalers still prefer manual labor because they think it is cheaper.

Utilities outlets (electricity, lighting, water, telephone lines, and so forth) are available in each stall. The individual operators are responsible for paying charges directly to the relevant utility company for any services used. The only services supplied by the government include security, traffic management, cleaning, and property management. Even with these services, the actual work involved in cleaning, security, and the canteen is subcontracted to private firms, with strong oversight. The government does issue and check permits for market use, and collects rents and parking fees. Other duties are delegated to the trade organizations, which deal directly with the subcontractors.

There is a management advisory committee to offer suggestions, which consists of representatives from the first wholesalers, second wholesalers, transport industry, and services subcontractors. There were no real complaints about physical facilities or any aspect of management, other than the concerns about interior congestion and security mentioned earlier.



Traders at Western wanted tighter security, but so did the ones at CSW, where security is already pretty good. At CSW, where unaccountable loss of product is very low, traders attribute much of the loss to simple mistaken pickup and delivery, not to theft. They think this can be solved by more strict enforcement of the ID system.

A few traders at Western mentioned the need for better waste management at Western. The AFD respondent also mentioned that waste management was somewhat more demanding than had been anticipated, but felt the markets were doing a good job. Overall, though, traders at both markets were happy with the new markets relative to the old ones, even if somewhat more happy at CSW than at Western.

## **MARKETING OPERATIONS NEEDS**

There is no plan to expand CSW or Western markets beyond their current physical boundaries in the near future, except, of course, that Phase II of CSW is still to be completed. These markets are not projected to reach capacity for nearly two more decades. No important facilities improvements are planned, either, because both markets are new. Traders cannot think of any major additions or improvements that they want, other than some more surveillance cameras.

Most of the needs are not for physical facilities, but rather concern management issues. There is a need to improve the public transportation access to the markets. The markets were built on land where nothing much had existed before, so they are off the main routes. There is a need to tighten up the management at Western. Traders feel that maintenance, cleaning, and security are not as good as at CSW.

At both markets, some change in internal traffic management may help. One way to reduce congestion would be to expand the space that is designated off-limits to stacking product in the common areas. What traders gain from this, though, they lose in giving up space they have become accustomed to using. Designating isles one-way and planning standard routes through the market may also help somewhat.

Regarding rents, it might have been better to reduce the rent for the first year to compensate for the disruption in trading due to the move. This was a short-term problem, though. Trade is recovering, and traders are likely to be more profitable soon, unless they are poor at marketing in the somewhat changed and more competitive environment. There is probably no real need to reduce rents now, despite the complaints from some traders.

## **ASSESSING PERFORMANCE**

Overall, performance of CSW and Western markets has been excellent, especially considering the conditions at the traditional markets that they replaced. Planning of the markets was well done. The views of local traders were considered, other markets were visited and studied, and consultants were brought in to advise. The final plan was, however, developed specifically for Hong Kong, and not copied from another location.

The markets were completed on schedule, within budget, and prospects look good that their costs will be recovered over time through rents. Now that the markets are operating, traders are satisfied. Even though many complain of some problems, they unanimously agree that the new markets are much better than the old ones. They like the more modern, more sanitary, roofed facilities. They like the management much better than under previous conditions.

Western Market, which has been open slightly longer, is not quite as efficiently managed as CSW. Traders do have some complaints that regulations, minimal though they are, should be enforced more strictly to improve security and cleanliness, and to reduce congestion. This problem could be easily remedied through refresher training, reassignment, or some other personnel method. There is not yet any shortage of well-qualified, competent managers in the Hong Kong government. The problem is not insurmountable, especially considering that management practices at CSW can be used as an example.

CSW seems to be much better operated. Perhaps the government learned from Western, or perhaps it simply tries harder because CSW is newer and bigger. One main complaint about CSW is simply that trade volumes are too low, but the government expects that this problem will disappear as projected increased volumes materialize over the next few years. The other main complaint is that transportation to CSW is difficult. Since this is a new site, transportation will improve gradually also.

Current trends are changing the structure of vegetable wholesaling in Hong Kong. Among consumers, Westernization of diet, increased-variety seeking, rising attention to quality, desire for convenience, and demand for healthy food will all benefit the new markets. These trends foster the import of high-quality, high value produce, which the new markets are designed to handle. They mirror the current shift toward value-added activities in the markets themselves. The transportation problem will also be alleviated by the shift away from small, price-oriented customers. These are the main people who do not have their own transportation.

Countering the trends that will strengthen the markets, there will be a gradual shift toward supermarket purchase of produce. The largest chains are already setting up their own wholesale centers, which include facilities for handling fresh produce. These chains will eventually bypass the markets. There is also the problem of 1997. Hong Kong may lose many of its competent managers, and it may face large-scale corruption once Chinese-style business practices move in. Combined, these two problems may eventually wreck the impartial, efficient management of the markets. Overall, though, it seems likely that the markets will continue to operate well through the next several years.

The general lessons from the new market in Hong Kong are essentially the same lessons that the Territory can offer for a wide variety of business activities. Things work best when the government does not get too involved. Government built the markets because of public demand to clean up the areas where traditional markets had grown, not because of any demand that it be involved in wholesale distribution activities. Government provides physical infrastructure, and manages it with as little

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interference as possible in the business activities of those who use the infrastructure. It is not there to tell private businesspeople how to run their businesses.

Even less does government want to run businesses itself. It has no marketing arm in the markets. (VMO is a glaring exception to the general Hong Kong philosophy about the role of government.) Most services are contracted out, not performed by the government. It does not even regulate beyond the bare minimum required to ensure efficient operation of the markets. Nor does the government subsidize private business activities in the market. They are run on a cost recovery basis. This philosophy may not be completely transferable to other countries, but certainly many aspects of it should be seriously considered.

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Table 1: Expenditure on Gross Domestic Product  
(Current Market Prices)

Year	----- Current Market Prices -----				Constant 1980 Prices	
	Total (HK\$ mil)	Change (%)	Per Capita (HK\$)		Total (HK\$ mil)	Change (%)
1983	206,217	11.0	38,581	9.4	163,260	6.3
1984	247,933	20.2	45,930	19.1	179,238	9.8
1985	261,070	5.3	47,848	4.2	179,580	0.2
1986	298,515	14.3	54,034	12.9	199,498	11.1
1987	367,603	23.1	65,873	21.9	228,483	14.5
1988	433,657	18.0	77,059	17.0	247,415	8.3
1989	499,157	15.1	87,784	13.9	254,434	2.8
1990	558,859	12.0	97,968	11.6	262,688	3.2
1991	643,382	15.1	111,799	14.1	273,524	4.1
1992	747,432	16.2	128,613	15.0	287,941	5.3
1993 *	847,813	13.4	143,236	11.4	303,845	5.5

Sources: Hong Kong Census and Statistics Department, Hong Kong Annual Digest of Statistics, 1993 Edition. Hong Kong: Government Printing Department, 1993.

\* 1993 is preliminary estimates, from:  
Hong Kong Government Information Services, Hong Kong 1994. Hong Kong: Government Printing Department, 1994.



Table 2: Land Utilization in Hong Kong

Type of Land Use	1985 (percent)	1988	1990	1992
Built-up land	16.5	18.5	19.1	19.6
Afforested/ wooded	20.6	20.5	20.5	20.5
Scrub-/ grassland	49.6	48.5	48.3	48.2
Badland	4.2	4.1	4.0	4.0
Swamp	0.1	0.1	0.1	0.1
Market gardening	2.5	2.3	2.0	1.8
Other crop land	0.6	0.5	0.6	0.6
Fallow/abandoned	3.9	3.8	3.8	3.7
Fish Ponds	2.0	1.7	1.6	1.5
Total (square km)	1069	1073	1075	1078

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Source: Hong Kong Census and Statistics Department, Hong Kong  
 Annual Digest of Statistics, 1993 Edition. Hong Kong:  
 Government Printing Department, 1993.

Table 3: Gross Domestic Product by Economic Activity  
(Current Prices HK\$ Million)

Economic Activity	1990	%	1991	%	1992	%
Agriculture & Fishing	1432	0.3	1441	0.2	1468	0.2
Mining & Quarrying	210	*	222	*	236	*
Manufacturing	92241	17.2	92693	15.2	93041	13.2
Electricity, Gas, & Water	12612	2.3	13521	2.2	15639	2.2
Construction	29836	5.6	34486	5.6	36467	5.2
Wholesale, Retail, Trade, Hotel & Restaurant	130542	24.3	155616	25.5	187241	26.6
Transport, Storage, & Communication	50526	9.4	57746	9.5	67599	9.6
Finance, Insurance, Real Estate, Service	111825	20.8	138892	22.7	168289	23.9
Community, Social, & Personal Services	80334	15.0	94563	15.5	110729	15.8
Ownership of Premises (Bank Service Charge)	58141 (30829)	10.8 (5.7)	66548 (44737)	10.9 (7.3)	77559 (54572)	11.0 (7.7)
Gross Domestic Product at Factor Cost	536870		610991		703696	
Indirect Taxes less Subsidies	29614		36323		48777	
Gross Domestic Product at Market Prices (Production based Estimate)	566484		647314		752473	
Gross Domestic Product at Market Prices (Expenditure based Estimate)	558859		642930		745407	
Statistical discrepancy	1.4 %		0.7 %		0.9 %	

Note: Because of slight discrepancies in the data, gross domestic product differs slightly depending on the method (production or expenditure) used to calculate it.

Source: Hong Kong Government Information Services, Hong Kong 1994.  
Hong Kong: Government Printing Department, 1994.

Table 4: International Movements of Commercial Cargo in Hong Kong

	1982	1987	1990	1992	1993 *
Discharged by:					
ocean-going vessels	24619	38942	46424	58423	69932
river vessels	3400	6152	6026	11992	10600
air	133	234	353	423	520
railway	1036	1890	1850	1543	1247
road	394	2967	4565	6418	7312
Loaded by:					
ocean-going vessels	8345	14615	19766	25799	27987
river vessels	732	3258	3262	5385	10100
air	173	376	449	534	620
railway	34	375	367	369	365
road	447	2440	4496	5736	5689

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Note: All figures are in 1000 metric tons.

Sources: Hong Kong Census and Statistics Department, Hong Kong Social and Economic Trends 1982-1992. Hong Kong: Government Printing Department, 1993.

\* 1993 figures from:  
 Hong Kong Government Information Services, Hong Kong 1994.  
 Hong Kong: Government Printing Department, 1994.

Table 5: Communications Indicators in Hong Kong

	1991	1992	1993 (est)
Postal Traffic			
Letter mail (million)			
Posted to destination abroad	142.1	142.2	151.5
Posted for local delivery	711.2	742.7	782.6
Received locally from abroad	87.5	91.0	96.6
Transit	3.8	3.0	2.3
Parcels (thousands)			
Posted to destination abroad	1347	1257	1145
Posted for local delivery	54	46	53
Received locally from abroad	508	507	497
Transit	37	40	47
Telecommunications Traffic			
Telegrams (thousands)			
Sent	344	280	223
Received	425	362	303
Transit	137	121	108
Telex calls (million minutes)			
Outward	23.9	20.3	18.5
Inward	27.3	22.6	20.6
International calls			
Outward (voice)	731.3	918.8	1132.6
Outward (fax/data)	135.3	160.7	190.5
Inward (voice, fax/data)	742.6	955.7	1198.5
Telecommunications Infrastructure			
International telephone circuits	14732	17641	24207
International telex circuits	3070	2844	2657
Telex trunks	2373	2259	2187
International leased circuits	1637	1610	1586
Telephone exchanges	75	76	79
Exchange capacity (1000 lines)	2850	3004	3138
Keylines and PABX lines (1000)	372	407	442
Fax lines (1000)	137	183	228
Telephone lines (1000)	2536	2777	2957

Source: Hong Kong Government Information Services, Hong Kong 1994.  
 Hong Kong: Government Printing Department, 1994.

Table 6: Hong Kong Population by Age and Sex

Age Group	----- 1986 -----		----- 1991 -----		1991 Sex Ratio
	Number	Percent	Number	Percent	
Under 15	1,246,947	23.1	1,151,916	20.9	1084
15 - 24	1,012,859	18.8	839,841	15.2	1048
25 - 34	1,097,828	20.3	1,178,228	21.4	991
35 - 44	647,402	12.0	891,032	16.1	1078
45 - 54	525,234	9.7	487,658	8.8	1205
55 - 64	457,185	8.5	491,506	8.9	1087
Over 65	408,542	7.6	482,040	8.7	784
Total	5,395,997	100.0	5,522,281	100.0	1038
Median Age	28.6		31.5		

Notes: Sex ratio is number of males per 1000 females.  
There were 151,833 residents temporarily out of Hong Kong,  
who were not included in the 1991 figures.

Source: Hong Kong Census and Statistics Department, Hong Kong 1991  
Population Census: Summary Results. Hong Kong: Government  
Printing Department, 1991.

Table 7: Geographical Distribution

Area	1986		1991		1992 *
	Number	Percent	Number	Percent	Percent
Hong Kong Island	1201459	21.9	1250993	22.0	22.2
Kowloon & New Kowloon	2349445	42.8	2030683	35.8	33.8
New Territories	1907031	34.7	2374818	41.9	43.6
Marine	37553	0.7	17620	0.3	0.4
	-----	-----	-----	-----	-----
Total	5495488	100.0	5674114	100.0	100.0

Note: Population includes residents away from Hong Kong.

Source: Hong Kong Census and Statistics Department, Hong Kong 1991 Population Census: Summary Results. Hong Kong: Government Printing Department, 1991.

\* 1992 figures from:

Hong Kong Census and Statistics Department, Hong Kong Social and Economic Trends 1982-1992. Hong Kong: Government Printing Department, 1993.

Table 8: Visitor Arrivals in Hong Kong

Arrivals from:	1982		1987		1992	
	Number (1000)	Pcnt	Number (1000)	Pcnt	Number (1000)	Pcnt
Taiwan	153	5.8	354	7.2	1640	20.5
Japan	516	19.4	1034	21.0	1324	16.5
Southeast Asia	595	22.5	787	16.0	1236	15.4
China	65	2.4	485	9.9	1149	14.3
West Europe	389	14.7	688	14.0	937	11.7
United States	378	14.2	793	16.1	694	8.7
Australia/New Zealand	239	9.0	295	6.0	304	3.8
Canada	61	2.3	156	3.2	180	2.2
Other	258	9.7	324	6.6	546	6.8
	----		----		----	
Total	2654		4917		8011	

Source: Hong Kong Census and Statistics Department, Hong Kong Social and Economic Trends 1982-1992. Hong Kong: Government Printing Department, 1993.

Table 9: Domestic Households by Monthly Household Income

Monthly Income	1986		1991	
	Number	Percent	Number	Percent
under 2000	141289	9.7	75552	4.8
2000-3999	368884	25.4	115236	7.3
4000-5999	340871	23.5	202511	12.8
6000-7999	209360	14.4	218388	13.8
8000-9999	125631	8.6	181846	11.5
10000-14999	146199	10.1	314379	19.9
15000-19999	53412	3.7	176406	11.1
20000-24999	25931	1.8	99649	6.3
25000-29999	12628	0.9	56851	3.6
30000-34999	8939	0.6	37727	2.4
35000-39999	4634	0.3	22442	1.4
over 40000	14798	1.0	81228	5.1
	-----	-----	-----	-----
Total	1452576	100.0	1582215	100.0

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Source: Hong Kong Census and Statistics Department, Hong Kong 1991 Population Census: Summary Results. Hong Kong: Government Printing Department, 1991.



Table 10: Labor Force Participation Rate (among age 15 and over)

	1986	1987	1988	1989	1990	1991	1992
Male	80.5	80.3	80.1	79.5	79.1	78.8	78.0
Female	48.9	48.7	48.4	47.3	46.8	47.8	46.2

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Source: Hong Kong Census and Statistics Department, Hong Kong Annual Digest of Statistics, 1993 Edition. Hong Kong: Government Printing Department, 1993.

Table 11: Working Population by Occupation and Sex, 1991

	Male	Female
Managers & administrators	198,857	50,390
Professionals	68,516	30,815
Associate professionals	164,121	115,788
Clerks	135,665	295,986
Service & sales	230,823	128,496
Agricultural & fishery	13,688	6,767
Craft & related	352,264	45,728
Plant & machine operators	234,929	130,897
Elementary occupations	280,434	223,398
Armed forces or unclassified	7,069	472
Total	1,686,366	1,028,737

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Source: Hong Kong Census and Statistics Department, Hong Kong Annual Digest of Statistics, 1993 Edition. Hong Kong: Government Printing Department, 1993.

Table 12: Average Bi-weekly Household Expenditure on Foodstuffs  
by Expenditure Level, 1991

Expenditure Level (HK \$)	Number of Households	Expenditure on Foodstuffs	
		HK \$	Percent
under 1149	54,690	394	50.0
1150 - 2309	181,635	848	47.5
2310 - 3459	268,813	1321	45.4
3460 - 4619	233,830	1644	40.8
4620 - 5769	166,792	2001	38.7
5770 - 6919	109,961	2277	36.0
6920 - 8079	82,047	2507	33.6
8080 - 10379	93,741	2739	30.1
10380 - 12689	39,823	3352	29.4
12690 - 17309	31,256	3633	25.0
over 17310	30,038	3746	14.8
All	1,292,896	1796	34.2

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Source: Hong Kong Census and Statistics Department, 1989/90 Household Expenditure Survey and the Rebasing of the Consumer Price Indexes. Hong Kong: Government Printing Department, 1991.

Table 13: Average Bi-weekly Household Expenditure by Area

	Hong Kong Island		Kowloon		New Kowloon	
	HK \$	Pcnt	HK \$	Pcnt	HK \$	Pcnt
Foodstuffs	2005	27.6	1677	34.7	1745	38.6
Housing	2406	33.1	1440	29.8	956	21.2
Fuel & Light	146	2.0	125	2.6	120	2.7
Alcoholic Drinks & Tobacco	70	1.0	58	1.2	74	1.6
Clothing & Footwear	568	7.8	320	6.6	338	7.5
Durable Goods	268	3.7	122	2.5	172	3.8
Misc. Goods	468	6.4	285	5.9	289	6.4
Transport & Vehicles	521	7.2	276	5.7	345	7.6
Services	824	11.3	533	11.0	478	10.6
	----	-----	----	-----	----	-----
Total	7276	100.0	4836	100.0	4517	100.0

	New Territories		Total	
	HK \$	Pcnt	HK \$	Pcnt
Foodstuffs	1735	37.8	1796	34.2
Housing	896	19.5	1343	25.6
Fuel & Light	118	2.6	126	2.4
Alcoholic Drinks & Tobacco	73	1.6	71	1.4
Clothing & Footwear	348	7.6	395	7.5
Durable Goods	206	4.5	201	3.8
Misc. Goods	344	7.5	352	6.7
Transport & Vehicles	400	8.7	399	7.6
Services	476	10.4	567	10.8
	----	-----	----	-----
Total	4596	100.0	5250	100.0

Source: Hong Kong Census and Statistics Department, 1989/90 Household Expenditure Survey and the Rebasing of the Consumer Price Indexes. Hong Kong: Government Printing Department, 1991.

Table 14: Average Bi-weekly Expenditure on Various Foods,  
Selected Expenditure Levels

Food Group	2310-3459		5770-6919	
	HK\$	Percent	HK\$	Percent
Rice	33	2.5	39	1.7
Other Cereals	12	0.9	17	0.7
Bread, Cakes, Biscuits	33	2.5	57	2.5
Salt-water Fish	55	4.2	72	3.2
Fresh-water Fish	41	3.1	41	1.8
Other Fresh Sea Products	25	1.9	42	1.8
Sea Product Preparations	18	1.4	32	1.4
Pork, Locally Slaughtered	77	5.8	84	3.7
Beef, Locally Slaughtered	22	1.7	27	1.2
Other Fresh Meat	3	0.2	2	0.1
Live Poultry	36	2.7	44	1.9
Meat & Poultry, Frozen	28	2.1	38	1.7
Meat & Poultry, Tinned	3	0.2	5	0.2
Meat, others	30	2.3	49	2.1
Fresh Vegetables	83	6.3	93	4.1
Processed Vegetables	5	0.4	5	0.2
Fresh Fruits	64	4.8	92	4.0
Processed Fruits	4	0.3	6	0.3
Dairy Products	21	1.6	33	1.4
Eggs	11	0.8	13	0.6
Edible Oils	18	1.4	20	0.9
Soft Drinks & Beverages	21	1.6	42	1.8
Sugar	2	0.2	3	0.1
Confectionery	10	0.8	19	0.8
Flavourings & Additives	6	0.5	10	0.4
Food, others	27	2.0	50	2.2
Meals away from Home	635	48.0	1345	59.0
	-----	-----	-----	-----
Sub-Total on Food	1323	100.0	2280	100.0
(Percent of Total)	(45.4)		(36.0)	

continued

Table 14: Expenditure on Various Foods, cont.

Food Group	over 17310		All	
	HK\$	Percent	HK\$	Percent
Rice	28	0.7	33	1.8
Other Cereals	23	0.6	14	0.8
Bread, Cakes, Biscuits	91	2.4	45	2.5
Salt-water Fish	76	2.0	60	3.3
Fresh-water Fish	28	0.7	39	2.2
Other Fresh Sea Products	63	1.7	34	1.9
Sea Product Preparations	69	1.8	29	1.6
Pork, Locally Slaughtered	63	1.7	74	4.1
Beef, Locally Slaughtered	31	0.8	23	1.3
Other Fresh Meat	5	0.1	3	0.2
Live Poultry	44	1.2	37	2.1
Meat & Poultry, Frozen	102	2.7	33	1.8
Meat & Poultry, Tinned	2	0.1	4	0.2
Meat, others	25	0.7	36	2.0
Fresh Vegetables	111	3.0	83	4.6
Processed Vegetables	7	0.2	5	0.3
Fresh Fruits	114	3.0	75	4.2
Processed Fruits	6	0.2	5	0.3
Dairy Products	81	2.2	27	1.5
Eggs	12	0.3	11	0.6
Edible Oils	19	0.5	18	1.0
Soft Drinks & Beverages	77	2.1	31	1.7
Sugar	4	0.1	2	0.1
Confectionery	84	2.2	17	0.9
Flavourings & Additives	17	0.5	7	0.4
Food, others	143	3.8	45	2.5
Meals away from Home	2422	64.6	1006	56.0
	-----	-----	-----	-----
Sub-Total on Food	3747	100.0	1796	100.0
(Percent of Total)	(14.8)		(34.2)	

Note: Expenditure levels are from Table 12. These three levels are at approximately the 35th, 75th, and 99th percentiles in expenditure, respectively.

Source: Hong Kong Census and Statistics Department, 1989/90 Household Expenditure Survey and the Rebasing of the Consumer Price Indexes. Hong Kong: Government Printing Department, 1991.

Table 15: Biweekly Expenditure in Restaurants, by Type  
Selected Expenditure Levels 1991.

Restaurant type	----- Expenditure level -----			
	1150-4619	4620-8079	8080-17309	over 17310
Cantonese	309	647	1043	1243
Chinese, other	11	39	91	87
Western	64	155	276	632
Japanese	--	2	19	92
Asian, other	7	26	45	70
Cafe	42	62	66	27
Fast food	101	172	183	129
Noodle/congee/rice	54	73	77	41
Tea/coffee stall	35	40	31	11
Canteen/cafeteria	17	27	29	19

Source: Printout of unpublished Household Expenditure Survey data,  
Hong Kong Census and Statistics Department.

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Table 16: Estimated Local Production of Foodstuffs

	1985	1988	1990	1992
Crops (tonnes)				
Rice (paddy)	15	3	2	0
Field crops	1480	1590	1540	540
Vegetables	151000	132000	112000	95000
Fruit	1150	2020	4310	2730
Livestock (head)				
Pigs	650100	629110	415410	182000
Cattle	810	750	280	490
Poultry (1000 head)				
Chickens	14017	15715	14025	10718
Ducks	4413	2749	2690	1147
Geese	192	211	192	0
Quails	12435	10741	9923	5727
Pigeons	3179	6392	4548	3682
Dairy products & eggs				
Milk, fresh (tonne)	2930	2020	1820	1180
Hen eggs (1000)	29492	41158	34662	20730
Duck eggs (1000)	1619	1370	1335	900
Quail eggs (1000)	149188	137507	75925	30930
Fish and seafood (tonne)				
Fish (live, chilled, frozen)				
Marine fish	146400	162820	168470	163380
Fresh water fish	5800	6640	6130	5400
Fish (dried, salted, smoked)				
Marine fish	3020	2490	1430	480
Crustacian & molluscs	29130	30680	23830	27500
Other marine products	470	510	400	320

Source: Hong Kong Census and Statistics Department, Hong Kong Annual Digest of Statistics, 1993 Edition. Hong Kong: Government Printing Department, 1993.

Table 17: Consumption and Ratio of Local Production

Food item	Daily consumption *	Local production ** (percent)	
		1991	1992
rice	940 tonnes		
vegetables	1020 tonnes	27.7	26.2 (fresh)
pigs	8490 head	10.1	6.1 (live)
cattle	430 tonnes		
poultry	290 tonnes	32.1	26.9 (live)
fish	520 tonnes	/ 11.9	10.1 (freshwater)
		\ 54.7	52.1 (marine)
fruit	1390 tonnes		

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Sources: \* Roberts, D. (ed.), Hong Kong 1992. Hong Kong: Government Printing Department, 1992.

\*\* Lee, H.Y., Hong Kong Annual Departmental Report by the Director of Agriculture and Fisheries for the Financial Year 1992-1993. Hong Kong: Government Printing Department, 1993.



Table 18: Food and Beverage Manufacturing in Hong Kong

	1985	1990	1992
Number of establishments (percent)	984 (2.0)	920 (1.9)	783 (1.9)
Number of persons engaged (percent)	21179 (2.5)	23393 (3.2)	23422 (4.1)

Note: percents are of total manufacturing in Hong Kong

Gross output by type: (percent of all F&B)	1985	1989	1991
Beverages	1117 (17.1)	2978 (27.2)	3437 (25.3)
Pasta & Bakery	1096 (16.8)	1764 (16.1)	2457 (18.1)
Canning & preserving	841 (12.9)	1464 (13.4)	1395 (10.3)
Slaughtering, preparing, preserving meat	563 (8.6)	976 (8.9)	1225 (9.3)
Dairy	385 (5.9)	724 (6.6)	938 (6.9)
Oils & Fats	535 (8.2)	705 (6.5)	763 (5.6)
Other	2000 (30.6)	2318 (21.2)	3344 (24.5)
-----			
Total gross output (HK\$ mil) (percent of all industry)	6537 (3.7)	10929 (3.4)	13599 (4.2)

Source: Hong Kong Government Industry Department, Hong Kong's Manufacturing Industries 1993. Hong Kong: Government Printing Department, 1993.

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Table 19: Public Markets and Market Stalls

	1985/86	1989/90	1990/91	1992/93
Hong Kong				
Public markets	30	30	30	30
Stalls				
Fish	520	257	527	500
Poultry	240	243	241	242
Meat	474	405	396	374
Wet goods	1509	1526	1523	1867
Dry goods	993	979	972	1022
Cooked food	92	170	170	211
Siu Mei/Lo mei	9	12	12	14
Other	34	43	55	32
Sub-total	3871	3905	3896	4262
Kowloon				
Public markets	26	30	30	32
Stalls				
Fish	451	460	463	469
Poultry	177	190	190	217
Meat	373	404	401	400
Wet goods	1529	2703	2630	2769
Dry goods	1121	1015	1212	1764
Cooked food	236	374	393	392
Siu Mei/Lo mei	17	24	24	24
Other	18	26	31	26
Sub-total	3922	5196	5344	6061
New Territories & Outlying Islands				
Public markets	40	43	43	46
Stalls				
Fish	568	608	582	661
Poultry	138	147	149	159
Meat	483	507	517	593
Wet goods	1805	1816	1874	2152
Dry goods	1151	1202	1378	1539
Cooked food	362	386	362	378
Siu Mei/Lo mei	62	73	77	80
Other	37	35	36	38
Sub-total	4606	4774	4975	5600
Total				
Public Markets	96	103	103	108
Stalls	12399	13875	14215	15923

Source: Hong Kong Census and Statistics Department, Hong Kong  
 Annual Digest of Statistics, 1993 Edition. Hong Kong:  
 Government Printing Department, 1993.

Table 20: Characteristics of Food Retail Establishments

## Retail Stores for Foodstuffs by Sales Level, 1989

Sales level HK\$ 1000	Number of stores	Sales HK\$ 1000	Percent of total
below 100	1,729	95,010	0.3
100 - 499	7,998	1,055,004	3.6
500 - 999	4,725	3,211,662	10.8
1000 - 4999	5,597	9,862,551	33.2
5000 - 9999	295	1,878,693	6.3
10000 - 19999	3	30,940	0.1
20000 - 49999	7	227,153	0.8
50000 - 99999	40	2,579,051	8.7
100000 and over	14	10,755,825	36.2
Total	20,408	29,695,889	100.0

Source: Hong Kong Census and Statistics Department, 1989 Survey of Wholesale, Retail, & Import/Export Trades, Restaurants & Hotels. Hong Kong: Government Printing Department, 1991.

## Retail Foodstuffs, Beverages, and Tobacco

	1985	1989	1991
Number establishments	20763	20409	19829
Number persons engaged	56199	58858	64109
Number persons employed	27088	32115	34631
Employee compensation	1058	1945	2569
Operating expenses	1737	3074	4163
Purchases of goods for sale	14874	23697	28674
Sales	18793	30496	37701
Gross margin	3975	6956	9234
Value added	2267	3989	5180

Note: Figures are in HK \$ million, except for number.

Source: Hong Kong Census and Statistics Department, Hong Kong Annual Digest of Statistics, 1993 Edition. Hong Kong: Government Printing Department, 1993.

Table 21: Value and Volume Indices of Retail Food Sales

## Non-Restaurant Food Sales

	1985	1990	1991	1992	Jan 1994
Value Indices					
Food, beverages, tobacco	72.9	102.5	114.7	119.0	139.1
Supermarkets	49.9	102.3	116.3	127.9	163.0
Volume Indices					
Food, beverages, tobacco	93.7	101.2	102.3	99.5	111.5
Supermarkets	67.7	99.9	103.0	104.7	122.7

## Restaurant Food Sales

	1986	1990	1991	1992
Value Indices				
Chinese restaurants	61.0	102.8	108.3	125.8
Non-Chinese restaurants	55.1	102.2	110.7	128.2
Fast food shops	48.1	103.4	138.5	178.0
Volume Indices				
Chinese restaurants	93.6	99.3	92.6	96.9
Non-Chinese restaurants	80.5	98.8	95.2	99.9
Fast food shops	66.5	100.2	121.4	143.8

Note: Quarterly average of October 1989 - September 1990 = 100.

Source: Hong Kong Census and Statistics Department, Hong Kong  
Annual Digest of Statistics, 1993 Edition. Hong Kong:  
Government Printing Department, 1993.

\* January 1994 figures from:  
Hong Kong Census and Statistics Department, Hong Kong  
Monthly Digest of Statistics, March 1994. Hong Kong:  
Government Printing Department, 1994.

Table 22: Establishments in the Restaurant Industry

Chinese Restaurants			
	1985	1989	1991
Number establishments	3379	3778	5288
Number persons engaged	112587	119778	127790
Number persons employed	109272	114851	120988
Employee compensation	4273	7962	9824
Operating expenses	3494	5692	7249
Purchases of goods for sale	6373	10805	11711
Sales & other receipts	14725	27147	30005
Value added	4879	10738	11170
Restaurants, other than Chinese			
	1985	1989	1991
Number establishments	2118	2616	2648
Number persons engaged	30645	36891	40247
Number persons employed	28059	33258	37866
Employee compensation	1131	1986	2953
Operating expenses	965	1744	2691
Purchases of goods for sale	1425	2650	3198
Sales & other receipts	3784	7018	9390
Value added	1399	2631	3580
Fast food shops			
	1985	1989	1991
Number establishments	713	951	1040
Number persons engaged	9455	16889	23512
Number persons employed	8643	16014	22247
Employee compensation	292	796	1273
Operating expenses	459	1081	1961
Purchases of goods for sale	657	1451	2165
Sales & other receipts	1537	3735	6422
Value added	442	1268	2113

Note: Figures are in HK \$ million, except for number.

There are also 277 bars and 461 other eating and drinking establishments listed in the statistics in 1991. Other includes mostly things like hawker stands.

Source: Hong Kong Census and Statistics Department, Hong Kong Annual Digest of Statistics, 1993 Edition. Hong Kong: Government Printing Department, 1993.

Table 23: Characteristics of Food Wholesale Establishments

## Wholesale Establishments for Foodstuffs by Sales Level, 1989

Sales level HK\$ 1000	Number of establishments	Sales HK\$ 1000	Percent of total sales
below 100	8	241	0.0
100 - 499	145	48,966	0.2
500 - 999	233	142,567	0.5
1000 - 4999	1,709	3,506,757	12.6
5000 - 9999	543	3,849,221	13.9
10000 - 19999	463	6,593,249	23.8
20000 - 49999	131	3,773,192	13.6
50000 - 99999	35	2,053,845	7.4
100000 and over	35	7,757,988	28.0
Total	3,302	27,726,026	100.0

Source: Hong Kong Census and Statistics Department, 1989 Survey of Wholesale, Retail, & Import/Export Trades, Restaurants & Hotels. Hong Kong: Government Printing Department 1991.

## Wholesale Foodstuffs, Beverages, and Tobacco

	1985	1989	1991
Number establishments	3057	3302	3587
Number persons engaged	18937	18884	18935
Number persons employed	15217	14624	13828
Employee compensation	651	915	1113
Operating expenses	710	916	1367
Purchases of goods for sale	17900	25338	34462
Sales	19740	27726	37599
Gross margin	1723	2422	3221
Value added	1053	1560	1969

Note: Figures are in HK \$ million, except for number.

Source: Hong Kong Census and Statistics Department, Hong Kong Annual Digest of Statistics, 1993 Edition. Hong Kong: Government Printing Department, 1993.

Table 24: Characteristics of Food Import/Export Establishments

## Import/Export Establishments for Foodstuffs by Sales Level, 1989

Sales level HK\$ 1000	Number of establishments	Sales HK\$ 1000	Percent of total
below 100	26	564	0.0
100 - 499	319	85,938	0.1
500 - 999	229	154,066	0.3
1000 - 4999	1,660	4,256,865	6.9
5000 - 9999	459	3,013,023	4.9
10000 - 19999	268	4,136,359	6.7
20000 - 49999	255	7,814,896	12.7
50000 - 99999	128	9,079,181	14.8
100000 and over	131	32,961,500	53.6
Total	3,475	61,502,392	100.0

Source: Hong Kong Census and Statistics Department, 1989 Survey of Wholesale, Retail, & Import/Export Trades, Restaurants & Hotels. Hong Kong: Government Printing Department 1991.

## Import/Export Foodstuffs, Beverages, and Tobacco

	1985	1989	1991
Number establishments	2652	3475	3766
Number persons engaged	15236	17809	20317
Number persons employed	13062	14701	17573
Employee compensation	765	1459	2130
Operating expenses	2420	5062	6595
Purchases of goods for sale	25891	52774	71171
Sales	29552	61502	83249
Gross margin	3790	8027	11709
Value added	1735	3620	5928

Note: Figures are in HK \$ million, except for number.

Source: Hong Kong Census and Statistics Department, Hong Kong Annual Digest of Statistics, 1993 Edition. Hong Kong: Government Printing Department, 1993.

Table 25: Consumer Price Indices for Food, CPI(Composite)

	Meals away from home	Food, except meals away	All food	All items
1983	59.4	73.9	66.6	65.2
1984	63.7	78.4	71.1	70.6
1985	65.7	77.2	71.4	72.8
1986	67.5	77.1	72.3	74.9
1987	71.1	80.8	75.6	78.4
1988	78.0	88.4	82.8	84.5
1989	90.1	96.6	93.1	93.2
1990	103.3	101.4	102.4	102.7
1991	116.3	111.6	114.2	114.2
1992	128.6	119.2	124.4	125.2
* 1993	140.1	126.0	133.8	136.2
* 1994 Apr	150.2	126.5	139.6	145.2

Notes: Quarterly average of October 1989 - September 1990 = 100.

The Hong Kong Government computes CPI(A) for households with average monthly expenditure of HK\$ 2500 - 9999, CPI(B) for households with average monthly expenditure of HK\$ 10000 - 17499, and CPI(Hang Seng) for households with average monthly expenditure between HK\$ 17500 - 37499. These levels constitute about 50, 30, and 10 percent of households, respectively. The composite is the weighted average of these three indices.

Sources: Hong Kong Census and Statistics Department, Hong Kong Annual Digest of Statistics, 1993 Edition. Hong Kong: Government Printing Department, 1993.

\* 1993 and 1994 April figures from:  
Hong Kong Census and Statistics Department, Consumer Price Index Report, April 1994. Hong Kong: Government Printing Department, 1994.



Table 26: CPI(Composite) for Various Food Groups,  
April 1994 Compared with April 1993

Food Group	Index April 1994	Percent Change from April 1993
Rice	112.6	4.9
Other Cereals	135.3	4.9
Bread, Cakes, Biscuits	146.9	7.0
Salt-water Fish	144.1	8.9
Fresh-water Fish	117.0	1.9
Other Fresh Sea Products	131.5	4.4
Processed Sea Products	140.0	8.2
Pork, Locally Slaughtered	136.5	4.5
Beef, Locally Slaughtered	117.1	1.9
Live Poultry	115.1	-4.1
Meat & Poultry, Frozen	107.9	1.3
Meat, Tinned	128.4	6.6
Meat, others	127.4	2.8
Fresh Vegetables	95.2	-16.1
Processed Vegetables	114.9	1.6
Fresh Fruits	111.2	7.3
Processed Fruits	127.7	5.1
Dairy Products	149.6	10.6
Eggs	101.6	0.6
Edible Oils	178.1	7.2
Carbonated Drinks	177.2	16.6
Other Non-alcoholic Bev.	144.4	8.9
Sugar	106.6	2.3
Confectionery	132.4	4.9
Flavourings & Additives	142.9	5.9
Food, others	125.2	4.6
Food, except meals away	126.5	3.3
Meals away from home	150.2	8.1

Notes: Quarterly average of October 1989 - September 1990 = 100.

Source: Hong Kong Census and Statistics Department, Consumer Price Index Report, April 1994. Hong Kong: Government Printing Department, 1994.

Table 27: Average Retail Prices of Selected Foodstuffs  
(HK \$ per kg, unless otherwise noted)

	1985	1990	1992	April 1994
Rice				
Long grain	4.65	5.84	6.08	6.66
Short grain	4.31	5.33	5.72	5.99
Meat and poultry				
Pork, best cut	21.75	25.41	30.76	35.15
Pork chop	27.99	32.69	38.73	43.27
Beef, best quality	30.34	36.58	40.15	42.16
Beef, belly flesh	15.84	21.45	25.79	28.32
Chicken, top grade	23.41	29.02	33.43	32.54
Duck, top grade	15.21	18.96	19.97	19.81
Marine fish, fresh				
Golden thread	17.70	26.95	31.12	36.54
Mackerel	24.52	36.77	40.98	50.22
Garoupa	46.63	74.16	87.01	85.20
Fresh-water fish, fresh				
Grass carp	23.39	26.52	29.25	30.56
Big head	19.17	22.68	25.07	25.74
Fresh vegetables				
White cabbage	6.55	7.68	9.29	6.99
Flowering cabbage	8.86	9.55	11.28	7.39
Tomato	7.50	8.87	11.28	8.70
* Lettuce			12.86	8.25
* Hairy gourd			9.52	8.15
Fresh fruit				
Apples (per piece)	2.21	2.42	2.84	2.76 **
Oranges (per piece)	2.03	2.07	2.72	2.45 **
Bananas	5.67	6.83	8.82	8.88 **
Fresh hen eggs (per piece)	0.56	0.68	0.70	0.68
Fresh milk (per bottle)	2.41	3.57	4.21	4.60 **
Flour, wheat	3.79	6.13	6.64	7.06 **
Sugar	5.30	9.02	8.90	8.94 **

Sources: Hong Kong Census and Statistics Department, Hong Kong  
Annual Digest of Statistics, 1993 Edition. Hong Kong:  
Government Printing Department, 1993.

\* April 1994 figures and all figures for lettuce and hairy  
gourd are from:  
Hong Kong Census and Statistics Department, Consumer  
Price Index Report, April 1994. Hong Kong: Government  
Printing Department, 1994.

\*\* Fresh fruit, milk, flour, and sugar for 1994 are February  
figures from:  
Hong Kong Census and Statistics Department, Hong Kong  
Monthly Digest of Statistics, March 1994. Hong Kong:  
Government Printing Department, 1994.

Table 28: Average Wholesale Prices of Selected Food Items  
(HK \$ per kg, unless otherwise noted)

	1985	1990	1992	Feb 1994 *
Rice				
Chinese See Mew	2.84	4.02	4.12	4.35
Australian long grain	4.47	5.79	6.22	5.69
Thai 100% whole	3.00	3.93	4.01	4.49
Live pigs	8.65	11.46	12.49	13.72
Cattle (dressed)	12.40	14.55	15.22	16.74
Marine fish (fresh)				
Golden thread	7.04	9.09	8.79	9.80
Mackerel	10.25	13.29	16.41	15.62
Garoupa	24.51	32.90	30.85	17.93
Fresh Vegetables, local				
Flowering cabbage	4.43	4.44	4.82	3.73
White cabbage	2.62	2.62	3.18	1.84
Tomato	3.43	3.63	3.82	2.53

Sources: Hong Kong Census and Statistics Department, Hong Kong  
Annual Digest of Statistics, 1993 Edition. Hong Kong:  
Government Printing Department, 1993.

\* February 1994 figures are from:  
Hong Kong Census and Statistics Department, Hong Kong  
Monthly Digest of Statistics, March 1994. Hong Kong:  
Government Printing Department, 1994.

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Table 29: Imports and Reexports of Fruit and Vegetables  
by Value (HK\$ million)

	Veg fresh	Veg prep	Fruit fresh	Fruit prep	Juice
1990					
Imports	1667.1	2225.9	4239.1	775.3	na
Exports	545.9	1583.2	844.8	344.7	na
1991					
Imports	2116.5	2397.5	4668.5	835.0	157.3
Exports	856.8	1913.9	955.9	556.6	38.0
1992					
Imports	2193.7	2285.6	5424.9	966.7	168.9
Exports	902.2	1782.2	1345.0	596.7	39.2
1993					
Imports	2123.7	2063.6	5764.6	859.3	188.7
Exports	751.7	1653.6	1371.4	542.6	56.4
1994 (Jan-May)					
Imports	936.2	843.5	2363.0	340.2	71.0
Exports	369.8	658.8	605.3	224.4	21.5

Notes:

Veg fresh: Vegetables, fresh, chilled, frozen, simply processed  
 Veg prep: Vegetables, roots, tubers, prepared or preserved  
 Fruit fresh: Fruit and nuts, fresh or dried  
 Fruit pres: Fruit, preserved and fruit preparations  
 Juice: Fruit juices and vegetable juices

na: not available

Source: Hong Kong Census and Statistics Department. Hong Kong  
 External Trade, December 1990, 1991, 1992, 1993; May 1994.  
 Hong Kong: Government Printing Department, 1990-1994.

Table 30: Import, Export, and Net Consumption  
of Fresh Fruit and Fresh Vegetables by Volume.

Fresh and Frozen Vegetables					
	1981	1986	1991	1992	1993
Local Supply (1000 MT)	176.0	158.0	105.0	95.0	91.0
Imports (1000 MT)	364.9	416.7	484.8	489.1	511.2
Exports (1000 MT)	0.0	0.0	0.0	0.0	0.0
Reexports (1000 MT)	73.0	53.0	50.6	56.1	49.9
	-----	-----	-----	-----	-----
Consumption (1000 MT)	467.9	521.7	539.2	528.2	552.3
Per capita (kg)	90.3	94.3	94.2	90.8	93.3
Wholesale Market					
Throughput (1000 MT)	174.0	150.0	160.4	170.6	172.8
Percent of Consumption	37.2	28.8	29.7	32.3	31.3
Fresh Fruit					
	1981	1986	1991	1992	1993
Local Supply (1000 MT)	5.0	2.0	3.9	2.7	4.2
Imports (1000 MT)	404.1	457.2	544.2	620.9	685.3
Exports (1000 MT)	0.0	0.0	0.0	0.0	0.0
Reexports (1000 MT)	23.2	23.6	52.7	76.0	92.0
	-----	-----	-----	-----	-----
Consumption (1000 MT)	385.9	435.6	495.4	547.6	597.5
Per capita (kg)	74.4	78.8	86.1	94.2	100.9
Wholesale Market					
Throughput (1000 MT)	0.0	119.6	113.6	126.6	134.6
Percent of Consumption	0.0	27.5	22.9	23.1	22.5

Source: Hong Kong Agriculture and Fisheries Department, Marketing Development Planning Unit, unpublished statistics.

Table 31: Imported Vegetables Distribution 1992

Outlets for Imported Vegetables		
	(MT)	(%)
Vegetable Marketing Org.	178900	36.6
Cheung Sha Wan Market	144230	29.5
Kennedy Town Market	71000	14.5
Reexport	56140	11.5
North District Market	13370	2.7
Yuen Long (Hop Choi)	11400	2.3
Yuen Long Assembly	8800	1.8
New Territories Retailers	2320	0.5
Kowloon Retailers	1800	0.4
Hong Kong Retailers	1150	0.2
	-----	
Total	489110	

Cheung Sha Wan Market Customers		
	(MT)	(%)
New Territories Retailers	70900	49.2
Kowloon Retailers	58900	40.8
North District Market	4670	3.2
VMO Market	4000	2.8
HK Retailers	3960	2.7
Yuen Long Assembly	1200	0.8
Yuen Long (Hop Choi)	600	0.4
	-----	
Total	144230	

VMO Customers			Kennedy Town Customers		
	(MT)	(%)		(MT)	(%)
Kowloon Retailers	106800	47.0	HK Retailers	71000	95.9
NT Retailers	88600	39.0	Kowloon Retailers	2000	2.7
HK Retailers	31800	14.0	NT Retailers	1000	1.4
	-----			-----	
Total	227200		Total	74000	

Note: Market sales do not equal imports due to local supply.

Source: Hong Kong Agriculture and Fisheries Department, Marketing Development Planning Unit, unpublished statistics.

Table 32: Source Markets for Vegetables by Area, 1992

Source of Vegetables in New Territories		
	(MT)	(%)
VMO Market	88600	38.3
CSW Market	70900	30.6
Direct Local Purchase	33370	14.4
Yuen Long Assembly	13000	5.6
Yuen Long (Hop Choi)	12000	5.2
North District Market	10300	4.4
Direct Import	2320	1.0
Kennedy Town	1000	0.4
	-----	
Total	231490	

Source of Vegetables in Kowloon		
	(MT)	(%)
VMO Market	106800	59.5
CSW Market	58900	32.8
North District Market	9420	5.2
Kennedy Town	2000	1.1
Direct Import	1800	1.0
Yuen Long Assembly	400	0.2
Direct Local Purchase	300	0.2
	-----	
Total	179620	

Source of Vegetables in Hong Kong		
	(MT)	(%)
Kennedy Town	71000	60.8
VMO Market	31800	27.2
North District Market	6600	5.7
CSW Market	3960	3.4
Direct Local Purchase	2300	2.0
Direct Import	1150	1.0
	-----	
Total	116810	

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Source: Hong Kong Agriculture and Fisheries Department, Marketing Development Planning Unit, unpublished statistics.

Table 33: Imported Fruit Distribution 1992

Outlets for Imported Fruit		
	(MT)	(%)
Yaumatai Wholesalers	439130	70.7
Western Market	126550	20.4
Reexport	29170	4.7
NT Retailers	10430	1.7
Kowloon Retailers	9120	1.5
HK Retailers	6520	1.1
	-----	
Total	620920	

Yaumatai Customers			Western Market Customers		
	(MT)	(%)		(MT)	(%)
NT Retailers	227330	51.7	HK Retailers	112450	88.9
Kowloon Retailers	174200	39.6	Reexport	11780	9.3
Reexport	35000	8.0	Kowloon Retailers	2320	1.8
HK Retailers	3000	0.7		-----	
	-----		Total	126550	
Total	439530				

## Source of Fruit by Area

Area	Main Supplier	Percent by Main Supplier
Kowloon	Yaumatai	93.7
New Territories	Yaumatai	94.8
Hong Kong	Western	92.2

Note: Sales by wholesalers in Yaumatai are slightly larger than imports because of a very small amount of local fruit.

Source: Hong Kong Agriculture and Fisheries Department, Marketing Development Planning Unit, unpublished statistics.



Table 34: Market Throughput by Volume and Value,  
Cheung Sha Wan and Western Wholesale Markets

	Cheung Sha Wan Vegetable Wholesale Market		Western Wholesale Fruit Market	
	Volume (MT)	Value (HK\$ mil)	Volume (MT)	Value (HK\$ mil)
1988	153635	511	115510	822
1989	157679	613	122606	873
1990	153905	652	125075	933
1991	137859	618	113500	1062
1992	144230	611	126550	1063

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Source: Hong Kong Department of Agriculture and Fisheries. Hong Kong Annual Departmental Report by the Director of Agriculture and Fisheries for the Financial Year 1992-1993. Hong Kong: Government Printing Department, 1993.

Table 35: Imported Vegetable Throughput by Variety, Cheung Sha Wan

	1983	1987	1990	1991	1992
Carrot	7920	4910	8886	12530	15223
Lettuce	12110	8110	13714	11103	13122
Potato	6910	4630	5881	7466	9755
Tomato	9180	7680	10331	10908	8483
Wax gourd	7980	10210	8202	9195	7560
Cabbage, Tien Tsin	15340	13820	8743	7791	7085
Cabbage	11750	9850	8309	5794	6372
Celery	4370	4870	6137	5742	6366
Onion	3020	4900	5429	5737	4790
Chinese radish	8050	6560	5207	5062	4122
Hairy gourd	10310	4390	3836	2264	4031
Cabbage, flowering	18040	5510	2268	1420	2866
Green cucumber	4130	3410	3279	1887	2670
Bitter Cucumber	3660	2530	2068	1257	1677
Sweet pepper	5440	2660	2069	1516	1650
Cabbage, white	5500	3260	1247	911	1621
Chinese kale	5290	2500	1380	1435	1544
Sweet Potato	3600	1040	331	1088	1378
String bean, white	2550	1400	484	1500	675
String bean, green	3530	1910	500	1500	670
Silky gourd	4570	2260	2049	1307	612
Mushroom	40	420	229	423	574
Spinich	2210	780	209	46	--
Leaf mustard	1800	460	117	--	--
Other vegetables	51960	42530	53000	41478	41382
	-----	-----	-----	-----	-----
Total (MT)	209260	150600	153905	137860	144228

Note: All figures are in MT.

Sources: Hong Kong Census and Statistics Department. Hong Kong  
Annual Digest of Statistics, 1993 Edition. Hong Kong:  
Government Printing Department, 1993

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Table 36: Fresh Fruit Throughput by Country, 1993  
Western Wholesale Food Market

Country	Quantity		Value	
	(MT)	(%)	(HK\$ 1000)	(%)
USA	77,780	57.8	743,927	62.8
Philippines	18,285	13.6	118,301	10.0
China	10,102	7.5	45,821	3.9
Malaysia/Sing	8,263	6.2	47,698	4.0
Thailand	7,683	5.7	113,048	9.6
Australia/NZ	4,448	3.3	47,832	4.0
Taiwan	3,666	2.7	21,872	1.8
Japan	875	0.6	13,279	1.1
Others	3,520	2.6	32,608	2.8
Total	134,622	100.0	1,184,386	100.0

Source: Hong Kong Agriculture and Fisheries Department. Western Wholesale Food Market (Fact Sheet). Hong Kong: Agriculture and Fisheries Department, 1994.

Table 37: Fresh Fruit Throughput by Variety, 1993  
Western Wholesale Food Market

Variety	Quantity		Value (HK\$ 1000)	HK\$/kg
	(MT)	(%)		
Orange	47440	35.2	369918	7.8
Apple	19355	14.4	176190	9.1
Watermelon	11590	8.6	56464	4.9
Banana	11094	8.3	46640	4.2
Grapes	6780	5.0	123441	18.2
Mango	6343	4.7	71471	11.3
Pear	6274	4.7	50011	8.0
Honeydew mellon	4127	3.1	35663	8.6
Lemon	3791	2.8	39808	10.5
Durian	2372	1.8	46550	19.6
Longan	2122	1.6	33827	15.9
Mandarin	1996	1.5	12366	6.2
Papaya	1944	1.4	14781	7.6
Plum	1925	1.4	26252	13.6
Pineapple	1531	1.1	6614	4.3
Pomelo	1192	0.9	17571	14.7
Cherry	518	0.4	21506	41.5
Sugarcane	458	0.3	738	1.6
Lichee	405	0.3	5201	12.8
Persimmon	140	0.1	1607	11.5
Peach	95	0.1	627	6.6
Others	3130	2.3	27410	
	-----	-----	-----	
Total	134622	100.0	1184386	

Source: Hong Kong Agriculture and Fisheries Department. Western Wholesale Food Market (Fact Sheet). Hong Kong: Agriculture and Fisheries Department, 1994.

Table 38: Stalls for Fresh Produce,  
Western and Cheung Sha Wan Wholesale Food Markets

Western	Type	Number	Area (sq.m.)		Rental (HK\$/month/unit)
			Ground	Loft	
Fruit	A	24	49.5	40.5	12525
	B	48	40.5	31.5	10020
	C	24	31.5	22.5	7515
	D	36	21.0	15.0	5015
	---	---	---	---	---
		132	4644.0	3564.0	
Vegetables	A	11	51.98	38.48	13025
	B	24	40.5	22.5	9070
	C	4	22.5	15.75	5510
	D	84	20.25	13.5	4860
	E	84	13.5	9.0	3240
	---	---	---	---	---
		207	4468.78	2916.28	
Cheung Sha Wan					
Vegetables	A	10	112.05	49.28	
	B	8	94.5	40.5	
	C	14	63.0	33.0	
	D	88	31.5	16.5	
	E	116	22.5	12.0	
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Sources: Hong Kong Agriculture and Fisheries Department. Western Wholesale Food Market (Fact Sheet). Hong Kong: Agriculture and Fisheries Department, 1994.

Hong Kong Agriculture and Fisheries Department. Cheung Sha Wan Wholesale Food Market, Phase I (Fact Sheet). Hong Kong: Agriculture and Fisheries Department, 1994.

## **Appendix B**

### **Figures**

1:	Map of Hong Kong	B-3
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FIGURE 1  
MAP OF HONG KONG

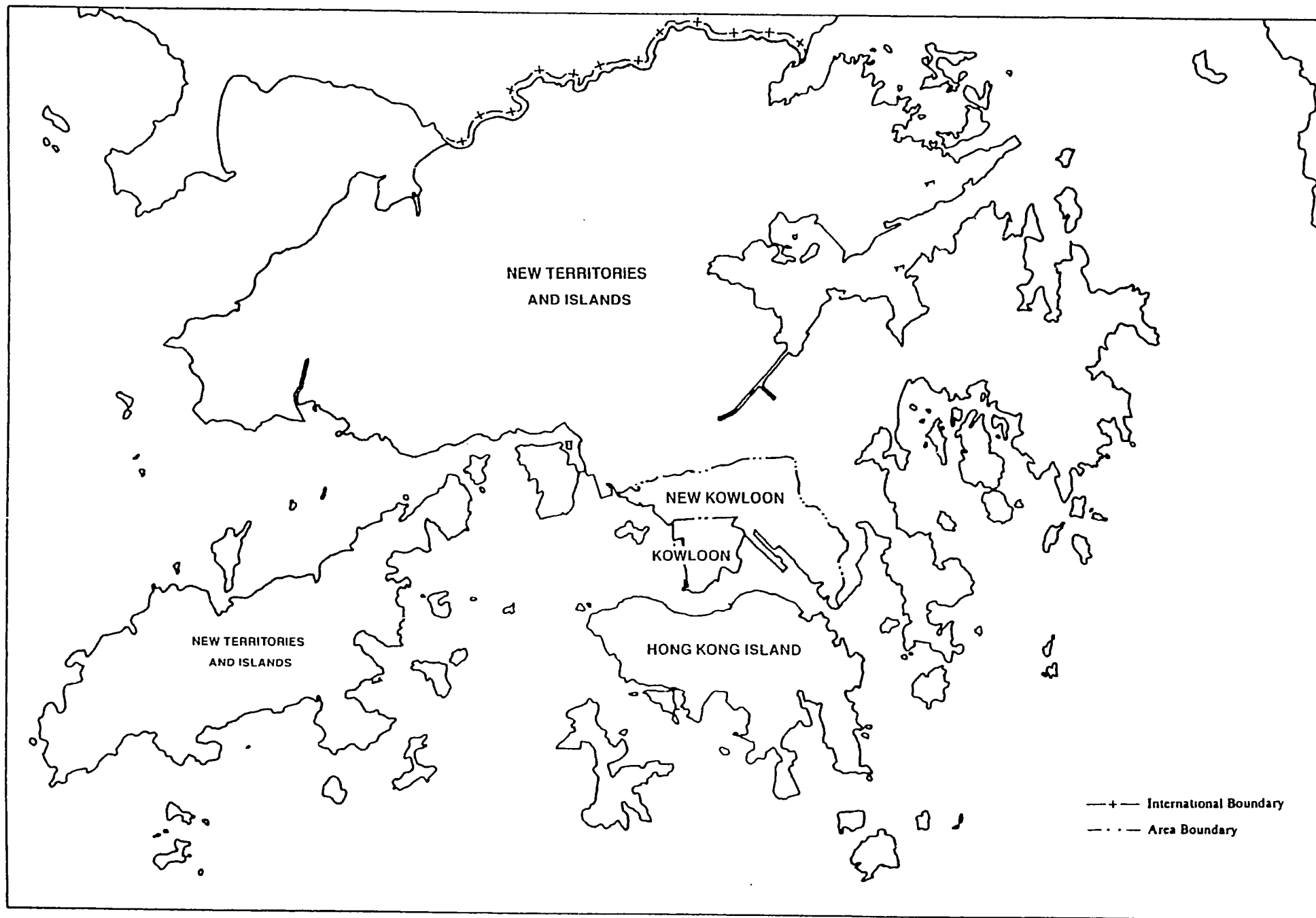


FIGURE 2  
LOCATIONS OF WHOLESALE FOOD MARKETS IN HONG KONG

- ① Western Wholesale Food Market (Phase I)
- ② Western Wholesale Food Market (Phase II)
- ③ Cheung Sha Wan Wholesale Food Market (Phase I)
- ④ Cheung Sha Wan Wholesale Food Market (Phase II)
- ⑤ Cheung Sha Wan Temporary Wholesale Poultry Market
- ⑥ North District Temporary Wholesale Market for Agricultural Produce
- ⑦ VMO Vegetable Market

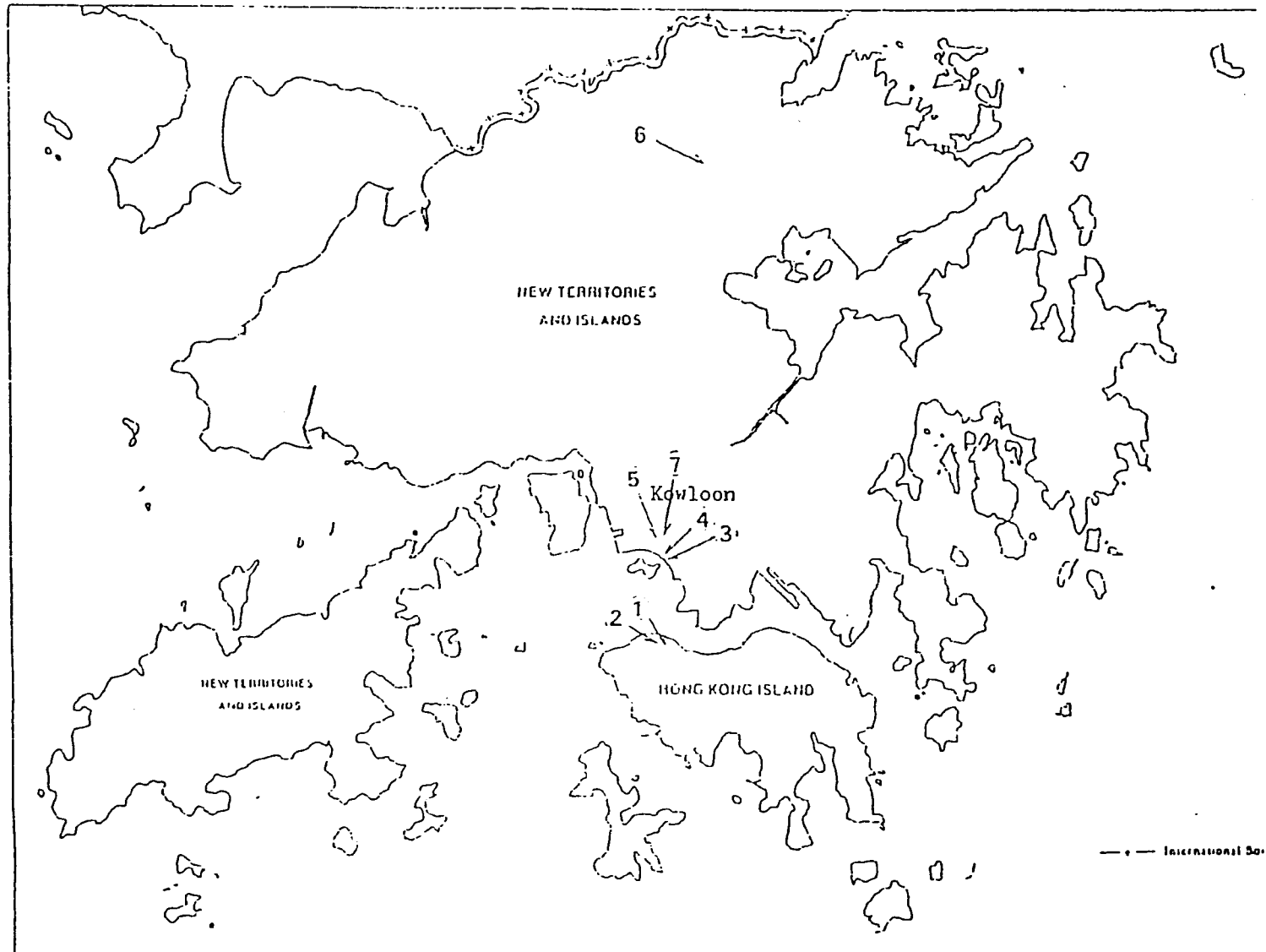
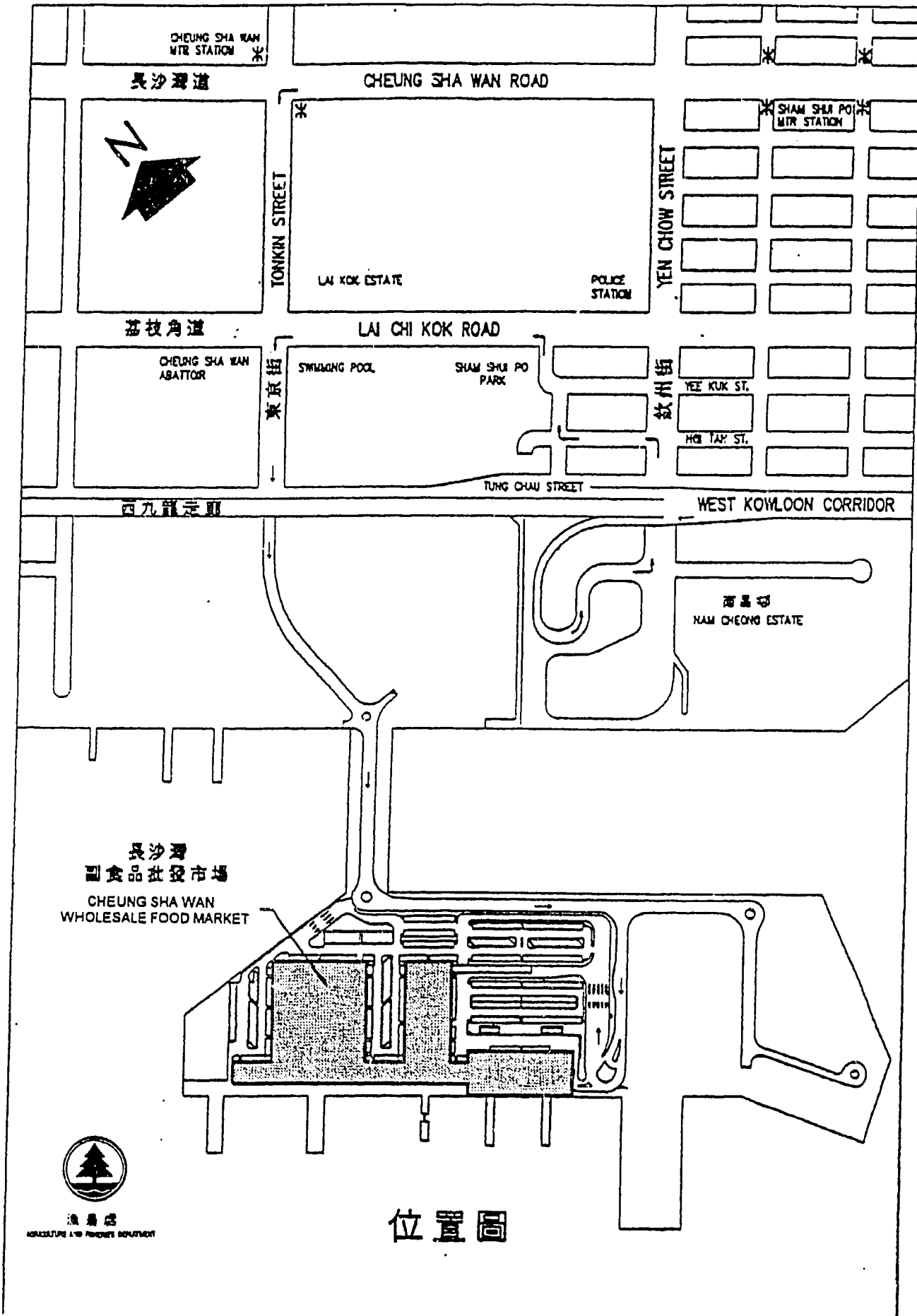




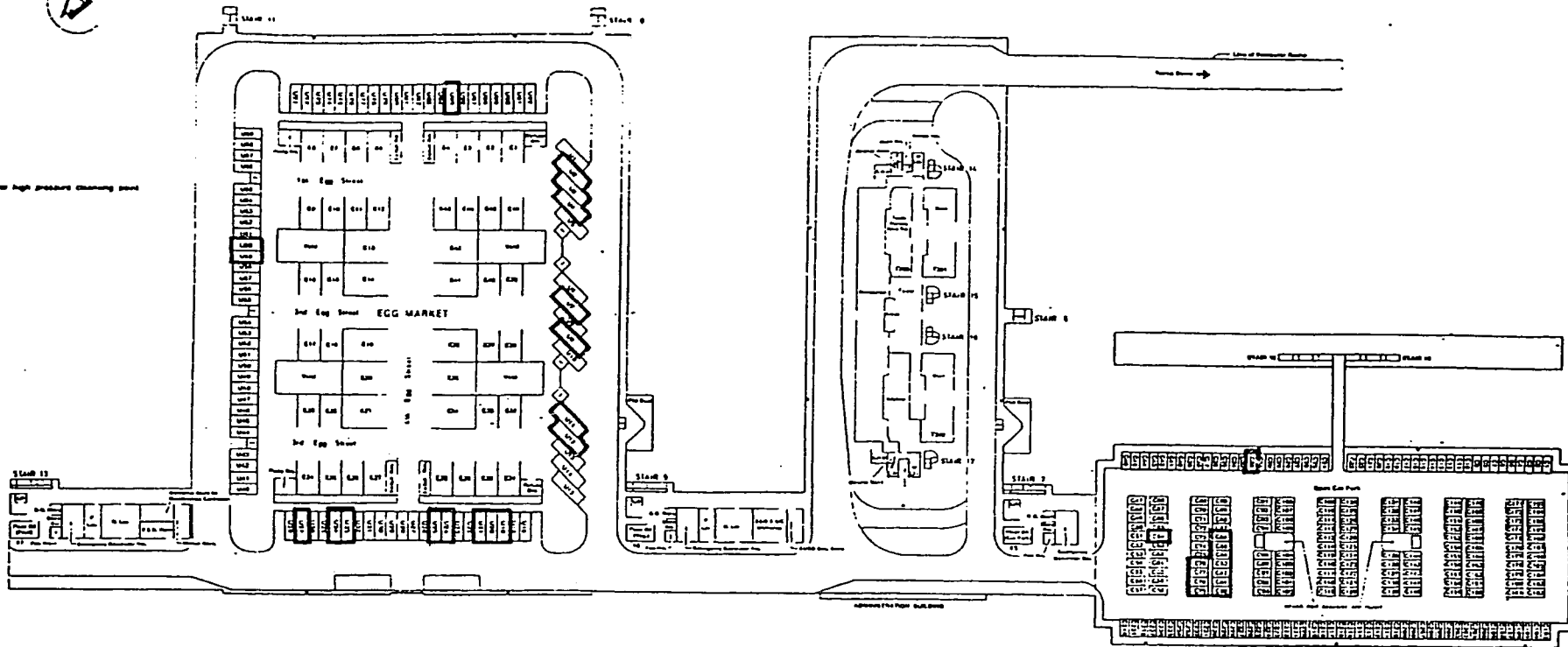
FIGURE 3  
LOCATION PLAN OF CSW



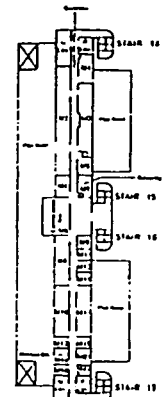
- **Keep your high pressure cleaning gun**



CHEUNG SHIA WAI WHOLESALE FOOD MARKET ( PHASE 1 )	
Agriculture & Fisheries Department Marketing Development Planning Unit	
Trade	Eng no 40211111
Date 5/78	Estimated from 4.52 to Eng 1 30272/304/4000



B-7

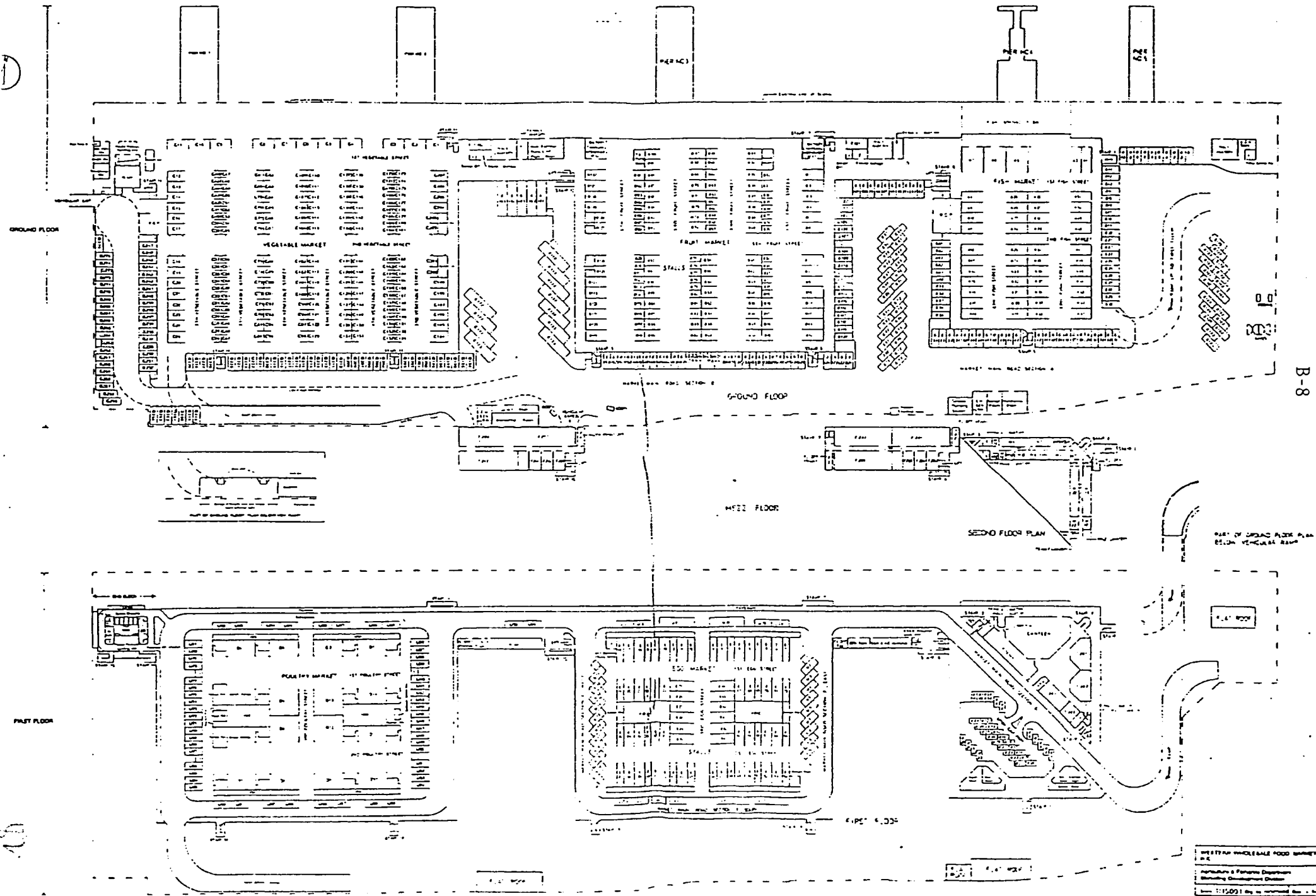


☐ 可供選擇的魚

CHEUNG SHA WAI WHOLESALE FOOD MARKET 1 PHASE 1	
Agriculture & Fisheries Department Marketing Development Planning Unit	
Scale 1:1000	Dg no. 45B/1/11
Date 7/86	Extracted from A10s Dg no. 1/6377/1/94/1/633

2.

FIGURE 5  
WESTERN MARKET FLOOR PLAN



Appendix C  
Administrative Rules of the Agriculture & Fisheries Department (AFD)

Cheung Sha Wan Wholesale Food Market

Citation

1. These rules may be cited as the AFD Cheung Sha Wan Wholesale Food Market Administrative Rules, 1993.

Interpretation

2. In these rules unless the context otherwise specifies -

"Director"	means the Director of Agriculture and Fisheries;
"market"	means the AFD Cheung Sha Wan Wholesale Food Market situated at West Kowloon Reclamation, Sheung Sha Wan, Kowloon, Hong Kong.
"stall"	means a stall in the market;
"business"	means the wholesale of foodstuffs or any market ancillary business activities approved by the Director;
"goods"	means the kinds of foodstuffs handled by the market and supplies for ancillary businesses;
"ice store"	means the ice store in the market;
"canteen/ kiosk"	means the canteen or the refreshment kiosk in the market;
"market manager"	means those senior market staff appointed by the Director to be responsible for the management of the market;
"market staff"	means the AFD staff appointed by the Director to work in the market;
"cleansing/ security contractor"	means staff of a cleansing/security company which at the time hold a cleansing contract or security contract with the Director at the market;
"berthing space"	means a space along the piers or waterfront of the market at which a vessel may berth under the direction of market staff;
"parking space"	means a space in the market designed for the parking of lorries, containers, trailers, private cars or other vehicles.

Administration and Control

General

3. The market manager shall be responsible for the general control and operation of the market and matters relating thereto. He may with the approval of the Director delegate such responsibilities and duties to other market staff.

except on days when typhoon signal no. 3 or above is hoisted or when the market is rendered unsuitable for such purpose by fire, storm, wind, water or defective construction or any other calamity beyond the control of the Director.

5. The Director may at his discretion determine the hours for the opening and closing of the market. A notice of the hours of opening shall be conspicuously displayed at the market.
6. No person except civil servants on official duty or persons with permission from the market manager shall enter or stay in the market during the hours when the market is closed.
7. No vehicle or vessel except with the permission of the market manager may be allowed to enter the market or berth at the market's waterfront during the hours when the market is closed.

#### Conduct of Business

8. No person shall carry on any business in the market unless he is
  - (a) the tenant of a stall, ice store, parking space, canteen, kiosk, trade office or bank in the market;
  - (b) the authorized employee of such a tenant and/or
  - (c) the legal personal representative of such a tenant or the authorized employee of such a legal personal representative.

#### Control on Entry

9. The market shall be open to any person having a bona fide interest in the business of the market. The market staff or the staff of the security contractor may ask any person his reason for entering the market. He may refuse any person or vehicle entry into the market or refuse any vessel berthing at the market's berthing space if he thinks it desirable for the proper conduct of the market.
10. The Director may by public notice in the market announce the introduction of a registration scheme for the persons intending to purchase fresh foodstuffs in the market. Upon implementation of the scheme only persons that have been registered may be allowed to enter the market for the purpose. The Director may recover the full cost incurred from the administration of such scheme from the persons applying for registration.

#### Traffic Control

11. Except with the permission of the market manager, no person shall place any goods, article, equipment or vehicle in the public area of the market so as to cause obstruction or disruption to the smooth operation of the market.

12. In the case of non-compliance with Rule 11 above, the market staff shall have the right to remove or dispose of the goods, article, equipment or vehicle concerned. The costs for such removal or disposal shall be recovered by the Director from the owner concerned and the Director or the market staff shall not be liable for any loss or damage arising from such removal or disposal.
13. All drivers must obey the traffic signs and speed limits inside the market.
14. All vehicles and vessels shall be driven/parked/berthed in designated areas or according to the instructions of the market staff. In breach of this, the vehicle/vessel concerned may not be allowed to park/berth at the market in future.

#### Public Order

15. The following activities are forbidden in the market -
  - (a) behaviour causing disruption to the business of the market;
  - (b) non-business gatherings;
  - (c) putting up bills and slogans;
  - (d) using wireless equipment and loudspeakers for non-business purpose;
  - (e) putting up unapproved notices;
  - (f) entering any restricted area so designated by the Director without his prior approval.
16. No non-business activity is allowed in the market except with the permission of the Director.
17. Gambling, stealing, fighting, threatening behaviour, drug trafficking, intimidation, extortion or any other illegal activities are prohibited in the market. In breach of this the market staff will report the case to the Police and the persons involved may be prohibited from entering the market in the future.

All persons shall observe in particular the provisions of the following ordinances inside the market -
18. Dogs and Cats Ordinance (Cap. 167)  
Prevention of Cruelty to Animals Ordinance (Cap. 169)  
Wild Animals Protection Ordinance (Cap. 170)  
Animals and Plants (Protection of Endangered Species) Ordinance (Cap. 187)  
Agricultural Products (Marketing) Ordinance (Cap. 277)  
Marine Fish (Marketing) Ordinance (Cap. 291)  
Public Health and Municipal Services Ordinance (Cap. 132)
19. Any person who willfully obstructs, resists, or uses abusive language to any AFD staff or staff of the market contractors carrying out their duties shall be required to leave the market at once.

20. Any packaging, unpacking, processing, inspection or labelling of goods shall be done only in the area designated for such purposes by the market manager.
21. Goods/produce shall not be cleaned or washed in aisles or latrines in the market.
22. All trade refuse shall be dumped only in areas designated by the market manager for such purpose. Any trade refuse left in places other than the designated area shall be removed by the market staff or cleansing contractor and the cost for such removal shall be recovered by the Director from the waste generator concerned.
23. No person shall obey the call of nature in places other than the public latrines in the market and spitting anywhere in the market is not allowed.

#### Penalty

24. Any person who violates any of the above market rules shall be liable to have his tenancy terminated if he is a tenant of the market; or to be prohibited from entering the market if he is not a tenant of the market.

#### Appeal

24. Any person who is aggrieved by any decision of the market manager may, within 14 days after the receipt of the notification of the decision, appeal to the Director and on any such appeal the Director may confirm, vary or revoke the decision of the market manager. The decision of the Director shall be final.

#### Power to amend Rules

26. The Director may amend the rules by notice in the market for the better regulation and control of the market.

Agriculture and Fisheries Department  
September 1993

File Ref. :



## Appendix D

### Interest Groups in Fresh Food (Fruit, Vegetables, Poultry, Freshwater Fish and Egg Only) Wholesale Marketing System Hong Kong

Regular Liaison and exchange of information are maintained with the following :-

- (1) Anglo-Chinese Vegetable Wholesale Merchants Association Limited.
- (2) Freshwater Fish Transportation Association.
- (3) Hong Kong and Kowloon Vegetable Transportation Fraternity Association.
- (4) Hong Kong Crustacean Dealers Association.
- (5) Hong Kong Fresh Fish Merchants Association.
- (6) Hong Kong Graziers Union.
- (7) Hong Kong Imported Vegetable Merchants Association Limited.
- (8) Hong Kong, Kowloon, New Territories and Overseas Fish Wholesale Association.
- (9) Hong Kong Livestock Industry Association.
- (10) Hong Kong New Territories Fish Culture Association.
- (11) Kowloon Poultry Laan Merchants Association.
- (12) Kowloon Poultry Transporter and Poulterer Association.
- (13) New Territories Poultry Wholesalers Association Limited.
- (14) Royal Society for the Prevention of Cruelty to Animals.
- (15) The Federation of Vegetable Marketing Cooperative Societies and individual member societies.
- (16) The Hong Kong and Kowloon Freshwater Fish Merchants' and Buyers' Association Limited.
- (17) The Hong Kong and Kowloon Fruit and Vegetable Employees and Employers Guild.
- (18) The Hong Kong and Kowloon Marine Products Merchants Association Limited.
- (19) The Hong Kong and Kowloon Poultry Dealers Guild Association.
- (20) The Joint Federation of Hong Kong Agricultural Production and Marketing Societies.
- (21) The Kowloon Fruit and Vegetable Merchants Association.
- (22) The Merchants Association of First Wholesalers/Jobbery of Imported Fresh Fruits and Vegetable Limited.
- (23) The New Territories Chicken Breeders Association Limited.
- (24) Kwai Fung Tong Egg Traders Association.
- (25) Guangnan Hong.
- (26) Choy Luen Hong.
- (27) Egg Corporation Union.
- (28) The Kadcorie Agricultural Aid Association.